

Alcadon Group acquires Irish Wood Communications Ltd

Alcadon Group AB (publ) ("Alcadon" or the "Company") has signed an agreement to acquire Irish Wood Communications Ltd. ("Wood Communications"), through the acquisition of all outstanding shares in its parent company Lewralos Limited, one of Ireland's leading distributors of networking products for network solutions, from Keith Mahony and Derek Finlay (the "Sellers"). The purchase price on a cash and debt-free basis amounts to EUR 10.1 million (corresponding to approximately SEK 113.5 [1] million), of which up to 25 per cent of the purchase price is paid through a new issue of shares in Alcadon to the Sellers by way of an issue-in-kind upon closing, which is expected to take place on 2 April 2024, and the remainder will be settled in cash. A conditioned based purchase price (earn-out) of a maximum of approximately EUR 2.9 million (approximately SEK 32.6 million) may be paid if certain conditions are met during the period up until and including three years after closing, which part of the additional purchase price can be paid through a set-off issue, subject to the approval of the general meeting. Through the acquisition, Alcadon is expected to receive multiple synergies in both short and long-term, such as a broader customer base in Europe, improved collaboration with partners and suppliers, as well as new distribution channels for Alcadon's products.

Alcadon has a clear growth strategy and a successful history of acquiring complementary businesses within network solutions and data communication. As of today 6 March 2024, Alcadon entered an agreement with the Seller to acquire Irish Wood Communications Ltd. through the acquisition of 100 per cent of the shares in its parent company Lewralos Limited. Through the acquisition, Alcadon broadens its distribution of network solutions in adjacent geographic markets. The Company also establishes its position within the Data Centre segment, which is important to the Company. The acquisition of Wood Communications is further considered to generate other operational synergies, revenue synergies and marginal improvements, such as through a closer collaboration with Alcadon's previous acquisition Network Centre. Alcadon consider the acquisition to bring a stable cash flow and thus an attractive return on capital employed along with positive effect on earnings per share and cash flow per share.

About Wood Communications

Wood Communications, founded in 1924, is one of Ireland's leading distributors of products and complete systems for network infrastructure for the Data communications, Data Centre, Telecoms, and Security industry. Wood Communications has today 16 employees and over 500 customers, to which the company provide networks solutions throughout the island of Ireland and mainland Europe. Wood Communications net sales during the broken fiscal year 2022/2023 (1 April 2022 – 31 March 2023) were EUR 12.4 million with an adjusted^[2] operating profit before amortization ("EBITDA") of EUR 2.2 million, corresponding to an adjusted^[3] EBITDA margin of 17.7 per cent. Approximately 40 per cent of net sales during the period generates from the Data Centre segment, approximately 40 per cent from the commercial property segment (cabling and accessories), and approximately 20 per cent from broadband, industrial, and security. Approximately 22 per cent of Wood Communications net sales generates from their largest customer and approximately 50 per cent from their 10 largest customers. A majority of the business' 20 largest customers have been customers to Wood Communications since the years 1997-2013, which substantiates strong and long customer relations to the business.

"The acquisition of Wood Communications is in line with our strategy to build a strong European position in network infrastructure through the acquisition of companies with strong profitability and market positions. Wood Communications has a strong market presence built on customer relationships dating back many years. As part of Alcadon Group, Wood Communications' product and service offering will expand within the Irish market, together with growing international sales by supporting larger customers as they continue their expansion into the European market. The acquisition is also expected to enhance Alcadon's ability to reach larger Data Centre customers in multiple markets. This is a value enhancing acquisition from a shareholder perspective with an initial purchase price and an Earnout model where our shareholders receive an increased profit per share, increased operating cash flow per share, and an attractive return on capital employed. Wood Communications has ability to generate strong cash flows and margins will contribute positively to the group's development from day one. We believe Wood Communications as a stand-alone company should be viewed as a stable and profitable, cash flow generating addition with synergy potential to Alcadon.

*We look forward to working together with Keith and Derek and their team in the future. Keith and Derek will also be significant owners in Alcadon Group and we welcome them as such", says **Sonny Mirborn**, CEO Alcadon Group.*

Keith Mahony, Managing Director, of Wood Communications says: *"The Alcadon acquisition is an excellent opportunity for Wood Communications. Celebrating 100 years in business this year we know this is the next step in our journey to another 100 years of our business together. We are very excited to share this news with our customers and suppliers and know this will certainly add to our growth and fuel our ambitions within the wider European Data Centre Market and communications market place. The acquisition allows us to operate as before, but with the support of being part of a larger group and network throughout Europe. The senior management team will remain in place with both Derek Finlay and I becoming shareholders of Alcadon. Wood Communications will continue with the same name and the same product offerings, however we hope to add to that product offering in the coming months as part of the acquisition. The operations will continue as they are, and Wood Communications will remain as a decentralised decision-making unit."*

Wood Communications Co-owner and Sales Director, **Derek Finlay**, says: *"The acquisition by Alcadon allows Wood Communications to meet the changing needs of our customers both locally and across Europe. The demand and geographic requirements of Wood Communications' customers are forever changing. We work with a multitude of global customers in growing markets and with Wood Communications now being part of the Alcadon group this opens up more opportunities for us collectively. I am excited and looking forward to growing the business together for another 100 years to come."*

Operational and financial effect of the acquisition

Through the acquisition, Alcadon is expected to receive a broader exposure towards new markets and customer based in Europe, as well as receive synergies between the Company's and the Acquisition's product offering. The acquisition also enables new distribution rights in Ireland, collaboration with Alcadon's previous acquisition Network Centre and opportunities to expand into the new business segments security with Wood Communications existing suppliers.

Following the acquisition, Keith Mahony, Managing Director, and Derek Finlay, Sales Director, will become significant owners of Alcadon Group. Wood Communications will continue to operate an independent company within the Alcadon group in line with Alcadon's strategy of working with decentralized business units with synergy potential.

Financial overview pro forma

Preliminary unaudited pro forma figures in the income statement, including net sales, EBITDA (adjusted for normalisation of extraordinary pension provisions) and (adjusted) EBITDA margin is presented below, based on Alcadon's and Wood Communications' two most recent closed fiscal years, as well as Alcadon's most recent closed fiscal year together with the estimated result for the current fiscal year of Wood Communications. The purpose is to present an overview of the new group's income statement post the acquisition. No synergies have been considered in the pro forma income statement. It is important to note that the preliminary unaudited pro forma figures presented below have not been adjusted for the respective companies' fiscal years, which differs. Alcadon reports calendar year, while Wood Communications reports broken fiscal year. Any seasonal effects have not been taken into consideration in the pro forma figures. As regards Wood Communications, figures in EUR have been converted to SEK using the exchange rate SEK/EUR of 11.23760.

| (SEK million) | Wood Communications | | | Alcadon Group | | Combined | | |
|----------------------|---------------------|-----------|---------------|---------------|---------|----------|----------|-----------|
| Fiscal year | 2021/2022 | 2022/2023 | 2023/2024 (1) | 2022 | 2023 | 2022 (2) | 2023 (3) | 2023E (4) |
| Net sales | 87.9 | 138.9 | 120.8 | 1 110.4 | 1 572.8 | 1 198.3 | 1 711.7 | 1 693.6 |
| EBITDA (5) | 13.8 | 24.5 | 19.7 | 84.5 | 127.6 | 98.3 | 152.1 | 147.3 |
| EBITDA (5)-margin, % | 15.7% | 17.7% | 16.3% | 7.6% | 8.1% | 8.2% | 8.9% | 8.7% |

1) The fiscal year 1 April 2023 – 31 March 2024 for Wood Communications has not yet been completed. Presented figures include by the Company estimated figures for the full fiscal year based on obtained information in the due diligence process which has preceded the acquisition. For the fiscal year ending March 31, 2024, net sales are assessed a EUR 10.5 – 11.0 million, EBITDA (adjusted for normalisation of extraordinary pension provisions) EUR 1.7 – 1.8 million, and EBITA margin of 16.2 – 16.4 per cent. The specified figures for the fiscal year 2023/2024 for Wood Communications are based on the average of the estimated range.

2) Refers to Alcadon fiscal year 1 January 2022 – 31 December 2022 and for Wood Communications 1 April 2021 – 31 March 2022.

3) Refers to Alcadon fiscal year 1 January 2023 – 31 December 2023 and for Wood Communications 1 April 2022 – 31 March 2023.

4) Refers to Alcadon fiscal year 1 January 2023 – 31 December 2023 and for Wood Communications 1 April 2023 – 31 March 2024.

5) EBITDA for Wood Communications is adjusted for normalisation of extraordinary pension provisions.

Key ratios

| Alcadon Group, combined 2023E (1) | Pre-acquisition | Post-acquisition (2) |
|-------------------------------------|-----------------|----------------------|
| Earnings per share (EPS), SEK | 1.8 | 2.1 |
| Cash earnings per share (CEPS), SEK | 2.5 | 2.8 |
| Net debt / EBITDA | 2.5x | ~2.1x-2.2 |

1) Refers to Alcadon fiscal year 1 January 2023 – 31 December 2023 and for Wood Communications 1 April 2023 – 31 March 2024. The fiscal year 1 April 2023 – 31 March 2024 for Wood Communications has not yet been completed. Presented figures include by the Company estimated figures for the full fiscal year based on obtained information in the due diligence audit which has preceded the acquisition. For the fiscal year ending March 31, 2024, net sales are assessed a EUR 10,5 - 11,0 million, EBITDA (adjusted for normalisation of extraordinary pension provisions) EUR 1,7 - 1,8 million, and EBITA margin of 16,2 - 16,4 per cent.

2) Calculated on a fully diluted basis equivalent to ~13% of the outstanding shares in the Company before the acquisition.

Financing

The acquisition will be financed through a combination of cash and shares in Alcadon and bank facilities. Upon closing of the transaction, which is expected to take place on 2 April 2024, Alcadon will pay the Seller a cash consideration and issue new shares in Alcadon corresponding to a value up to 25 per cent of the purchase price. The main part of the bank facility is short-term and intended to be used to refinance existing cash position in Wood Communications, which will be settled shortly following closing date.

Based on the authorization granted by the 2023 annual general meeting, the board of directors of Alcadon intends to resolve a new issue of consideration shares to the Sellers of up to 25 per cent of the purchase price and a directed share issue of approximately SEK 75 million that will be used for a part of the payment of the cash part of the purchase price. The details of the share issue will be published separately.

[1] Calculation based on a EUR/SEK exchange rate of 11.23760.

[2] EBITDA for Wood Communications is adjusted for normalisation of extraordinary pension provisions.

[3] EBITDA for Wood Communications is adjusted for normalisation of extraordinary pension provisions.

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About Alcadon Group AB

Alcadon conducts operations in Sweden, Norway, Denmark, Germany, the UK and Benelux. Since its inception in 1988, Alcadon has established itself as a leading supplier of data and telecommunications products and systems.

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This information is information that Alcadon Group is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 2024-03-06 18:31 CET.

Attachments

[Alcadon Group acquires Irish Wood Communications Ltd](#)