

DistIT resolves on a fully secured rights issue of app. SEK 98 million, initiates a written procedure for its bond and enters into an amendment agreement regarding the earn-out consideration for EFUEL

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In order to handle the unfavorable external factors that have affected DistIT AB (“DistIT” or the “Company”) and its customers, the board of directors and management have taken a series of improvement measures. In addition to cost rationalizations, these measures relate to managing the terms of the Company's outstanding bonds, the earn-out related to EFUEL and the resolved dividend, which effectively cannot be revoked. The measures have entailed that several of DistIT's largest shareholders, bondholders and Redstone Investment Group SA, former owner of EFUEL, have acted with the aim of strengthening the Company in the long term and enabling a return to profitable growth. The terms of the Rights Issue have been set to improve the participation rate and avoid costs related to guarantee compensation. The Rights Issue of approximately SEK 98 million is fully secured by way of subscription commitments from several of the Company's largest shareholders as well as a guarantee commitment from Athanase Industrial Partners, provided free of charge.

The Board of Directors of DistIT has resolved on a fully secured new issue of shares corresponding to approximately SEK 98 million with preferential rights for the Company's existing shareholders (the “**Rights Issue**”). The Rights Issue is subject to approval by an extraordinary general meeting, to be held on March 21, 2023 (the “**EGM**”). The notice to the EGM will be announced through a separate press release. The Company has also entered into an amendment agreement regarding the payment of the earn-out consideration payable to the seller of EFUEL, entailing that the due date for payment of the earn-out consideration is postponed. Furthermore, the Company has also instigated a written procedure with a view to amending certain aspects of the terms and conditions for its outstanding bonds (the “**T&Cs**”). In connection with the Rights Issue, the Board of Directors has resolved to postpone the publication of the Company's interim report for the period January – March 2023 and the date for the Company's Annual General Meeting, both to May 15, 2023.

The Rights Issue in brief

- The purpose of the Rights Issue is to ensure continued successful development in accordance with DistIT's strategy and to provide sufficient resources for payment of the dividend resolved at the annual general meeting held on April 28, 2022 and to fulfill commitments under the terms of the Company's outstanding bonds.
- Those who on the record date March 24, 2023, are registered as shareholders in DistIT and are eligible to participate in the Rights Issue will receive one (1) subscription right for every existing share. One (1) subscription right will carry an entitlement to subscribe for one (1) new share, i.e., a subscription ratio of 1:1.
- The subscription period will run from and including March 28, 2023 up to and including April 11, 2023. The Board of Directors has the right to extend the subscription period and the time for payment, which, if applicable, will be announced by the Company via press release no later than April 11, 2023.
- The subscription price has been set to SEK 7.00 per share which corresponds to a discount of approximately 61.9 percent to the theoretical ex-rights price, based on the closing price on February 21, 2023.
- The subscription rights will be traded on Nasdaq Stockholm during the period March 28, 2023 – April 6, 2023.
- Assuming that the Rights Issue is fully subscribed, the Company will receive issue proceeds of approximately SEK 98.3 million before deduction of issue costs.
- The Rights Issue comprises a maximum of 14,040,466 shares and will, if fully subscribed, increase DistIT's share capital by SEK 28,080,932 from the current SEK 28,080,932 to SEK 56,161,864. After the Rights issue, the number of shares in DistIT will amount to not more than 28,080,932 shares.
- Shareholders who do not participate in the Rights Issue will have their ownership diluted by up to 50 percent, but will have the possibility to compensate themselves for the dilution by selling their subscription rights.
- Existing shareholders, Athanase Industrial Partners, Redstone Investment Group SA, Ribbskottet AB, Måns Flodberg, as well as the Company's CEO, Robert Rosenzweig, have undertaken to subscribe for their respective pro rata share of the newly issued shares, representing approximately 50.4 percent of the Rights Issue and corresponding to approximately SEK 49.6 million.
- Athanase Industrial Partners has undertaken to guarantee approximately SEK 48.7 million, corresponding to approximately 49.6 percent of the Rights Issue, free of charge. Consequently, the Rights Issue is secured in its entirety.
- The Board of Directors' resolution on the Rights Issue is subject to approval by the EGM, to be held on March 21, 2023.

The complete terms for the rights issue and information regarding DistIT will be presented in the prospectus regarding the Rights Issue, which will be published on or around March 23, 2023.

DistIT's CEO Robert Rosenzweig comments: *"The challenging global situation has had an unfavorable impact on DistIT's sales and profitability, where lead times, shipping prices, customers' inventory build-up and a weakened Swedish currency have contributed to the development. However, we see that changed market conditions would bring significant opportunities to bring us back to our growth path and our ambitious goals. I would like to thank our shareholders and other stakeholders who have shown their support and contributed to the opportunity to develop the business with greater certainty".*

Background and rationale

- The past year has been characterized by a challenging business climate, including the aftermath of Covid, rising inflation and interest rates, and uncertainty among customers and consumers as a result of Russia's invasion of Ukraine. Overall, revenue and margins have not corresponded to the Company's set goals. As a result, there has been a breach of covenants under the T&Cs of the Company's bonds. Furthermore, a need for additional capital has arisen regarding the resolved dividend, the earn-out related to EFUEL and the Company's continued development. Therefore, the management and the board of directors, together with the Company's major stakeholders, have carried out valuable work to reach a solution that strengthens DistIT in the long term.

The solution has been jointly developed and gives the Company financial room to continue to develop and grow. The Rights Issue of approximately SEK 98 million enables payment of the resolved dividend and continued operation and development of the business. The subscription price has been decided in consultation with the Company's largest shareholders. Existing shareholders have committed to support the Company through subscription commitments. Additionally, Athanase Industrial Partners have undertaken to guarantee the remainder of the Rights Issue free of charge.

Several of DistIT's stakeholders have accepted amended terms for relevant financial undertakings to improve the Company's financial position. Redstone Investment Group SA, the second largest shareholder in DistIT, accepts to postpone the payment of the earn-out related to the acquisition of EFUEL, from 2023 to 2025. Bondholders representing approximately 43 percent of outstanding bonds have confirmed their acceptance of the Rights Issue and other measures as appropriate for the bonds to mature as planned by 2025. The dividend resolved upon at the annual general meeting, April 28, 2022, which cannot be revoked for practical legal reasons, will be financed through the Rights Issue

- Measures to reduce the Company's working capital have been taken, and cost savings are being implemented which are deemed to improve the margin profile sufficiently, even if the business climate remains challenging for a longer period. When market conditions improve, the Company assesses that the conditions are favorable for a return to sales growth and a superior better profile. This, together with the cost rationalizations implemented and gradually affecting profits, lays the foundation for a potentially significant improvement in profitability in the coming years.

In order to ensure continued successful development in accordance with DistIT's strategy and to provide room for payment of the resolved dividend and to fulfill financial covenants under the terms of the Company's Bonds, the board has resolved on the Rights Issue.

Assuming that the Rights Issue is fully subscribed, DistIT will receive total proceeds of approximately SEK 98.3 million, before deduction of issue costs, which are expected to amount to approximately SEK 7.0 million. Further, Redstone Investment Group SA will pay the subscription price through set off against a claim corresponding to approximately SEK 12.2 million. The net proceeds from the Rights Issue thus amount to approximately SEK 79.0 million. The Company intends to use the net proceeds from the rights issue in the following areas of use, which are presented in order of priority:

- Payment of dividends to shareholders, resolved by the Annual General Meeting on April 28, 2022, in the approximate total amount of SEK 28.1 million (approximately 35.5 percent).
- General corporate purposes, including product development (approximately 64.5 percent).

Terms of the Rights Issue

The Board of Directors' resolution on the Rights Issue is subject to approval by the EGM, to be held on March 21, 2023. The notice to the EGM will be announced through a separate press release. Existing shareholders, representing approximately 50.4 percent of the total shares and votes in the Company, have undertaken to vote in favor of the Rights Issue at the EGM.

The record date for the right to participate in the Rights Issue is March 24, 2023. The last day of trading in DistITs shares inclusive of the right to participate in the Rights Issue is March 22, 2023.

In connection with the Rights Issue, the Company will undertake not to issue additional shares for a period of six months after the settlement of the Rights Issue, without the prior written consent of Pareto Securities AB, which consent shall not be unreasonably withheld. The undertaking does not apply to implementation of incentive plans on market terms or share issues of up to in aggregate 20 percent of the total number of shares in the Company following the Rights Issue to finance acquisitions of companies, businesses or assets, nor does it apply to earn-out considerations related to such acquisitions or to shares that are issued or sold in order to honor already issued options, warrants or similar rights when they fall due. Pareto Securities AB may thus grant exemptions from the obligation not to issue additional shares.

The Board of Directors has resolved to postpone the publication of the Company's interim report for the period January – March 2023 and the Annual General Meeting to May 15, 2023. The previously communicated date was April 27, 2023.

The Annual General Meeting held on April 28, 2022, resolved, in accordance with the proposal of the Board of Directors, to distribute profits to the shareholders through a cash dividend of SEK 2.00 per share. The Board of Directors was authorized to determine the record date for the dividend. The Board of Directors will set the record date for the right to receive dividend on or about April 20, 2023, and in any event before the shares issued in the Rights Issue are registered with the Swedish Companies Registration Office. This means that shares issued in the Rights Issue will not be receiving any dividend resolved upon at the Annual General Meeting held on April 28, 2022. A separate announcement will be made once the record date to receive the dividend been resolved by the Board of Directors.

In the event that not all shares are subscribed for under subscription rights, the Board of Directors shall, within the maximum amount of the Rights Issue, resolve on allotment of shares without subscription rights. Allotment will then take place in the following order of priority: firstly, allotment shall be made to those who subscribed for shares with the support of subscription rights, regardless of whether the subscriber was a shareholder on the record date or not, pro rata in relation to the number of subscription rights exercised for subscription and, to the extent that this cannot be done, by drawing lots; secondarily, allotment shall be made to others who have signed up for subscription without subscription rights. In the event that they cannot receive full allotment, allotment shall be made pro rata in proportion to the number of shares subscribed for by each and, to the extent that this cannot be done, by drawing lots; and in the third and final stage, any remaining shares shall be allotted to the parties who have guaranteed the Rights Issue, in relation to the guarantee commitments made and, to the extent that this cannot be done, by drawing lots.

Subscription and guarantee commitments

The Rights Issue is fully secured through subscription and guarantee commitments.

Existing shareholders, Athanase Industrial Partners, Redstone Investment Group SA, Ribbskottet AB, Måns Flodberg, as well as the Company's CEO, Robert Rosenzweig, have undertaken to subscribe for their respective pro rata part of shares in the Rights Issue, representing approximately 50.4 percent of the Rights Issue and corresponding to approximately SEK 49.6 million. Redstone Investment Group SA will pay the subscription price through set off against the claim on the SEK 12.2 million of the earn-out consideration that Redstone Investment Group SA is entitled to.

Athanase Industrial Partners has undertaken to guarantee approximately 49.6 percent of the Rights Issue, corresponding to approximately SEK 48.7 million. Consequently, the Rights Issue is secured in its entirety.

The subscription and guarantee commitments are provided free of charge. The subscription and guarantee commitments are not secured by bank guarantee, escrow funds, pledging or similar arrangements.

Athanase Industrial Partners has been granted an exemption by the Swedish Securities Council from the mandatory bid obligation in the event that Athanase Industrial Partners' shareholding in DistIT by fulfilling its subscription and/or guarantee commitment would equal or exceed 30 percent of the votes in the Company. A condition for the Swedish Securities Council's decision to grant Athanase Industrial Partners an exemption from the mandatory bid obligation due to fulfilment of the guarantee undertaking is that the resolution on the Rights Issue is approved by shareholders holding not less than two-thirds of both the votes cast and the shares represented at the EGM, excluding the shares held and represented by Athanase Industrial Partners and that the shareholders ahead of the EGM are informed of the maximum number of shares and votes Athanase Industrial Partners may hold if it subscribes for shares with the support of the guarantee.

Preliminary timetable for the Rights Issue

The below timetable for the Rights Issue is preliminary and may be adjusted.

March 22, 2023	Last day of trading including the right to receive subscription rights
March 23, 2023	First day of trading without the right to receive subscription rights
March 23, 2023	Publication of the prospectus
March 24, 2023	Record date for participation in the Rights Issue with preferential rights
March 28 – April 6, 2023	Trading in subscription rights
March 28 – April 11, 2023	Subscription period
April 11, 2023	Announcement of preliminary outcome of the Rights Issue
April 12, 2023	Announcement of final outcome of the Rights Issue

Amendment agreement regarding the earn-out consideration relating to the acquisition of EFUEL

In connection with the Rights Issue, the Company has entered into an amendment agreement regarding the payment of the potential earn-out consideration payable to the seller of EFUEL. According to original agreement, an earn-out of SEK 140 million was to be paid when EFUEL presented a gross profit of SEK 70 million on a rolling twelve month basis. According to the amendment agreement, approximately SEK 127.8 million of the earn-out consideration shall fall due two years after the earn-out consideration has been determined. However, the earn-out consideration will not fall due before the earlier of the date when the Company's outstanding bonds has been fully repaid or June 16, 2025. The remaining approximately SEK 12.2 million of the earn-out consideration shall be payable in connection with execution of the amendment agreement through the issuance of a promissory note. The seller has undertaken to subscribe for shares corresponding to approximately SEK 12.2 million in the Rights Issue and pay the subscription price through set off against the claim on the approximately SEK 12.2 million of the earn-out consideration. Further, the seller of EFUEL shall be entitled to an interest corresponding to SEK 10 million due to the payment of the earn-out consideration being postponed. The interest shall fall due when the remaining part of the earn-out consideration falls due.

Senior Unsecured Callable Floating Rate Bonds due 2025 (the "Bonds")

As there has been a breach of the covenants under the T&Cs of the bonds in that the Company does not maintain a ratio between net debt and EBITDA greater than 4.0x. In accordance with the T&Cs, the Company has 60 calendar days from February 22, 2023, to remedy this failure. The net proceeds from the Rights Issue will therefore also be used to remedy the breach.

In connection with the Rights Issue, the Company will also instigate a written procedure with a view to amending certain aspects of the T&Cs and to obtain certain waivers and consents from the holders of the Bonds. More particularly, in connection with the written procedure the Company is looking to achieve the following in relation to the Bonds:

- Obtain the waivers necessary for the Company's deferring the remaining part of the earn-out consideration due to the seller of EFUEL, Redstone Investment Group SA and to the issuance of the promissory note of approximately SEK 12.2 million, in each case as described in more detail above; and
- Obtain consent from the holders of the Bonds to the proceeds of the Rights Issue being added to EBITDA in determining whether the payment of the dividend declared at the annual general meeting in 2022 is permitted under the T&Cs.

Adoption of the Company's proposals requires that holders of 2/3 of Bonds represented in the written procedure vote in favor of the proposals. A quorum is constituted by at least 20 percent of the total outstanding nominal amount of the Bond providing replies in the written procedure.

The Company has secured voting undertakings from holders of Bonds representing SEK 128.5 million, approximately 43 percent, of the outstanding nominal amount of the Bonds to reply in favor of the Company's proposals in the written procedure. In securing these undertakings, it

has been agreed to amend the T&Cs so that if holders of Bonds representing at least 10 percent of the nominal amount so require, at least 20 percent of the nominal amount of the Bonds shall be redeemed no later than February 24, 2024. In this connection, the Company has also agreed to pay a one-off fee of SEK 3 million to be distributed to the holders of Bonds on a pro rata basis.

Advisors

Pareto Securities AB acts as Financial Advisor in connection with the Rights Issue. Advokatfirma DLA Piper Sweden KB acts as legal advisor to DistIT, and Baker & McKenzie Advokatbyrå KB acts as legal advisor to Pareto Securities AB in connection with the Rights Issue.

Important information

This press release and the information herein is not for publication, release or distribution, in whole or in part, directly or indirectly, in or into the United States, Australia, Belarus, Hong Kong, India, Japan, Canada, New Zealand, Russia, Switzerland, Singapore, South Africa or any other state or jurisdiction in which publication, release or distribution would be unlawful or where such action would require additional prospectuses, filings or other measures in addition to those required under Swedish law.

The press release is for informational purposes only and does not constitute an offer to sell or issue, or the solicitation of an offer to buy or acquire, or subscribe for, any of the securities mentioned herein (collectively, the **"Securities"**) or any other financial instruments in DistIT AB. Any offer in respect of any of the Securities will only be made through the prospectus that DistIT AB expects to publish in due course. Offers will not be made to, and application forms will not be approved from, subscribers (including shareholders), or persons acting on behalf of subscribers, in any jurisdiction where applications for such subscription would contravene applicable laws or regulations, or would require additional prospectuses, filings, or other measures in addition to those required under Swedish law. Measures in violation of the restrictions may constitute a breach of relevant securities laws.

The Securities mentioned in this press release have not been registered and will not be registered under any applicable securities law in the United States, Australia, Belarus, Hong Kong, India, Japan, Canada, New Zealand, Russia, Switzerland, Singapore, South Africa and may, with certain exceptions, not be offered or sold within, or on behalf of a person or for the benefit of a person who is registered in, these countries. The Company has not made an offer to the public to subscribe for or acquire the Securities mentioned in this press release other than in Sweden.

None of the Securities have been or will be registered under the United States Securities Act of 1933, as amended (the **"Securities Act"**), or the securities laws of any state or other jurisdiction in the United States, and may not be offered, pledged, sold, delivered or otherwise transferred, directly or indirectly, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with other applicable securities laws. There will not be any public offering of any of the Securities in the United States.

In the EEA Member States, with the exception of Sweden (each such EEA Member State, a **“Relevant State”**), this press release and the information contained herein are intended only for and directed to qualified investors as defined in the Prospectus Regulation. The Securities mentioned in this press release are not intended to be offered to the public in any Relevant State and are only available to qualified investors except in accordance with exceptions in the Prospectus Regulation. Persons in any Relevant State who are not qualified investors should not take any actions based on this press release, nor rely on it.

In the United Kingdom, this press release is directed only at, and communicated only to, persons who are qualified investors within the meaning of article 2(e) of the Prospectus Regulation (2017/1129) who are (i) persons who fall within the definition of "investment professional" in article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the **“Order”**), or (ii) persons who fall within article 49(2)(a) to (d) of the Order, or (iii) persons who are existing members or creditors of DistIT AB or other persons falling within Article 43 of the Order, or (iv) persons to whom it may otherwise be lawfully communicated (all such persons referred to in (i), (ii), (iii) and (iv) above together being referred to as **“Relevant Persons”**). This press release must not be acted on or relied on by persons in the United Kingdom who are not Relevant Persons.

This announcement does not constitute an investment recommendation. The price and value of Securities and any income from them can go down as well as up and you could lose your entire investment. Past performance is not a guide to future performance. Information in this announcement cannot be relied upon as a guide to future performance.

This press release contains forward-looking statements that reflect DistIT AB's current view of future events as well as financial and operational development.

Words such as “intend”, “assess”, “expect”, “may”, “plan”, “estimate” and other expressions involving indications or predictions regarding future development or trends, not based on historical facts, identify forward-looking statements and reflect DistIT AB's beliefs and expectations and involve a number of risks, uncertainties and assumptions which could cause actual events and performance to differ materially from any expected future events or performance expressed or implied by the forward-looking statement. The information contained in this press release is subject to change without notice and, except as required by applicable law, DistIT AB does not assume any responsibility or obligation to update publicly or review any of the forward-looking statements contained in it and nor does it intend to. You should not place undue reliance on forward-looking statements, which speak only as of the date of this press release. As a result of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements as a prediction of actual future events or otherwise.

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended (**“MiFID II”**); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the **“MiFID II Product Governance Requirements”**), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the shares in the Company have been subject to a product approval process, which has determined that such shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible

counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the shares in the Company may decline and investors could lose all or part of their investment; the shares in the Company offer no guaranteed income and no capital protection; and an investment in the shares in the Company is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Rights Issue.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the shares in the Company. Each distributor is responsible for undertaking its own target market assessment in respect of the shares in the Company and determining appropriate distribution channels.

The English text is an unofficial translation of the original Swedish text. In case of any discrepancies between the Swedish text and the English translation, the Swedish text shall prevail.

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About DistIT AB

DistIT acquires, owns and develops niche distributors of IT, mobility, consumer electronics, networking and data communications products in Europe. Companies within the DistIT Group deliver B2B as well as B2C products to the IT markets in Europe. The DistIT stock is listed on the Nasdaq First North Premier Growth Market exchange and DistIT's Certified Adviser is Erik Penser Bank AB.

This information is information that DistIT 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 2023-02-22 08:00 CET.

Attachments

[DistIT resolves on a fully secured rights issue of app. SEK 98 million, initiates a written procedure for its bond and enters into an amendment agreement regarding the earn-out consideration for EFUEL](#)