

Magle Group enters into merger agreement regarding the acquisition of pK Biotech ApS and pK Chemicals A/S

Magle Chemoswed Holding AB ("Magle Group" or the "Company") has signed a merger agreement with PRS1 ApS (the "Seller") regarding the acquisition of all shares in pK Biotech ApS ("pK Biotech") and its subsidiary pK Chemicals A/S ("pK Chemicals") in accordance with the binding term sheet announced by a press release on 17 June 2024. The purchase price for all shares in pK Biotech will be paid in the form of a seller promissory note of approximately SEK 240 million, which will be offset against 7,200,000 newly issued shares in Magle Group (the "Consideration Shares"). The issuance of the Consideration Shares is, inter alia, subject to approval by a shareholders' meeting in Magle Group.

Justin Pierce, CEO of Magle Group, commented, "*We are pleased to have finalized the agreement in an efficient manner, showing the resolve between the parties and the mutual belief of the long-term value being created with this deal. We are positioning ourselves to complete the final steps in a similar manner, whereby we are keen to initiate the merger and through that enhance our global competitiveness and expand the product portfolio.*"

Background and rationale

The healthcare and pharmaceutical industries are rapidly evolving, demanding innovative approaches and strategic partnerships to remain competitive and fulfil emerging market needs. Magle Group and pK Chemicals have each carved out strong positions in these sectors, driven by a commitment to innovation, quality, and customer-centric solutions.

pK Biotech is a holding company and pK Chemicals is a wholly owned operating company. pK Chemicals, headquartered in Denmark, is a distinguished player in the global pharmaceutical and medico sectors, renowned for its specialization in the production of technical Dextran, Dextran Derivatives, and a broad spectrum of customized products. Beyond its product offerings, pK Chemicals' expertise extends to providing comprehensive contract manufacturing services. These services range from assisting in the initiation of chemical production to optimizing processes for intermediates, showcasing pK Chemical's versatility and technical proficiency, as well as capabilities in producing specialized products for the pharmaceutical, medico, and cosmetic sectors.

The merger will combine resources and expertise, unlocking new growth opportunities and achieving operational efficiencies. The new Magle Group will offer an extensive portfolio of products and services, covering technical Dextran, Dextran Derivatives, DSM-based innovations, active pharmaceutical ingredients, customized pharmaceutical and medico solutions. This strategic avenue will lead to an expanded presence globally, addressing new markets and customer segments, thereby further diversifying the combined group's revenue sources as well increasing market penetration and potential revenue growth. This combination will significantly expand Magle Group's contract development and manufacturing organisation (CDMO) capabilities, increasing production capacity and broadening service offerings to meet the growing demand for high-quality development and manufacturing services.

Magle Group does not currently foresee any material changes to pK Chemicals' or Magle Group's respective operations, including operational sites, its employees or their terms of employment. However, Magle Group expects the business combination to offer synergies in the long-term perspective.

Financial historical overview and synergies

pK Chemicals has 65 employees and operates two manufacturing sites in Denmark. In 2023, pK Chemicals reported a gross profit of approximately SEK 116 million, with a profit from operating activities of approximately SEK 17 million.

SEK millions*	2023	2022	2021
Gross profit	116	121	119
Profit from operating activities	17	23	35

* SEK conversion based on the average exchange rate during the full year 2023.

The merger is expected to create value for the shareholders of the new Magle Group through synergies in the form of, for example, increased production capacity, enhanced CDMO capabilities and broadened service offering. Furthermore, synergies are expected in the form of reduced overhead and financing costs. In total, the value of synergies from such cost savings are estimated to amount to between SEK 7 million and 11 million annually. However, the expected value-creating synergies do not primarily stem from these smaller cost savings but from the synergies described above, for example increased production capacity, enhanced CDMO capabilities and broadened service offering. The synergies are expected to be unlocked within 12 to 24 months, whereby the integration of the businesses will begin immediately after the merger is completed.

Transaction conditions

The purchase price for all shares in pK Biotech will be paid in the form of a seller promissory note of approximately SEK 240 million, which shall be offset against 7,200,000 newly issued shares in Magle Group. The seller promissory note does not carry interest. The acquisition is expected to be completed in July 2024.

According to the merger agreement, Magle Group is also granted a five-year exclusive right to acquire all the shares in Ejendomsselskabet Sundvej 6 ApS, a company holding an administration building, from Teknik-Invest ApS and MB Holding Køge ApS. The purchase price in this acquisition shall be a cash payment representing the net asset value of the administration building, currently amounting to DKK 40 million less existing debt.

The Board of Directors in Magle Group intends to convene a shareholders' meeting to resolve on the new issue of the Consideration Shares. The new issue of the Consideration Shares will increase the total number of shares and votes in the Company by up to 7,200,000, resulting in a total of 18,000,000 shares and votes, and a share capital of SEK 900,000. The new issue of the Consideration Shares corresponds to a dilution of 40 percent based on the current number of shares and votes in the Company. Completion of the set-off issue requires clearance by the Swedish

Inspectorate of Strategic Products of the Seller's subscription of the Consideration Shares under the Swedish Screening of Foreign Direct Investment Act. The shareholders' meeting that will resolve on the set-off issue is expected to take place during the third quarter of 2024. Notice to the shareholders' meeting will be published separately.

The Seller has been granted an exemption from the mandatory bid obligation that would otherwise arise according to the Swedish takeover rules for certain trading platforms if the Seller subscribes for shares in the set-off issue, provided that customary conditions are fulfilled.

The Consideration Shares will be subject to a lock-up undertaking for the Seller and certain of the Seller's ultimate owners for one year from the completion of the acquisition, subject to customary exceptions.

Advisors

Vator Securities AB is the financial advisor and Advokatfirman Schjødt is the legal advisor to Magle Group in connection with the transaction.

Contacts

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About Us

The Magle Group aims to establish itself as a leader in high-quality life-changing healthcare innovations to meet medical needs through scientific excellence. The Magle Group is founded on strategic acquisitions aimed at driving growth and diversifying risk. Today, the Group includes two operational areas. Magle Chemoswed – a contract development and manufacturing organization (CDMO) with a strong reputation for its high-quality development and manufacturing expertise and Magle PharmaCept – an established sales and marketing company for development and direct sales of the Groups medical technology products. Learn more on www.maglechemoswed.com and <https://maglegroup.com/> and www.maglepharmaceut.com

Vator Securities is the Company's certified adviser on Nasdaq First North Growth Market and can be reached at ca@vatorsec.se or +46 (0)8-580 065 99.

Attachments

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