

Hexatronic Group AB (publ)
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Press Release September 22, 2021

Hexatronic enters the data center market through US acquisition

Hexatronic Group AB (publ) ("Hexatronic") has today signed an agreement to acquire 100% of the shares of Data Center Systems ("DCS"), based in the US. DCS provides end-to-end fiber connectivity solutions to the US data center market. DCS is expected to generate an EBITDA of approximately USD 3 million in 2021. Including a tax benefit of approximately USD 2,5 million resulting from the transaction, the total effective enterprise value will be USD 17.2 million up to USD 19.9 million including the performance-based consideration.

Data Center Systems

With 20 years in the US data center market DCS is well established. DCS provides complete fiber connectivity system solutions including infrastructure design solutions, installation and managed services. DCS manufactures reliable, scalable, high-performance standard and customized structured connectivity solutions primarily for the data center market. Customers are mainly telecom, financial and technology companies. DCS was founded in 2002 and has more than 100 employees as of today. The headquarter and production facility are located in Texas, US. The seller of DCS, Kevin Ehringer, will remain as CEO.

Valuation and financing

Hexatronic and DCS will make a joint election under Section 338(h)(10) of the Internal Revenue Code, permitting the transaction to be treated as an asset purchase for tax purposes. The effective enterprise value, taking into account the tax benefit, represents an implied EBITDA transaction multiple of 5.7x to 6.6x.

The acquisition is financed by a senior bank loan from Danske Bank. Net debt/EBITDA for Hexatronic Group including completed acquisitions is expected to be approximately 2.0x. With the acquisition of REHAU Telecom, that is expected to close in the fourth quarter of 2021, the Net debt/EBITDA is expected to be approximately 2.6x.

The acquisition is subject to customary closing conditions and is expected to close early October.

Comments from Hexatronic's CEO

"We are very pleased to welcome the team of DCS to Hexatronic Group. A highly skilled team dedicated to a consultative approach to ensure the best network performance possible. They also share our view of the value of providing complete system solutions and has taken it one step further by adding several services.

With DCS, Hexatronic enters the US market for data centers that is expected to experience continued growth. Ever increasing data traffic as well as the trend towards edge computing increase the need for both larger hyperscale data centers as well as small and mid-sized data centers closer to the edge.

The US is today Hexatronic's largest market, and one of three strategic growth markets. With the acquisition of DCS we are now able to provide customers with locally assembled and terminated products for

Hexatronic's complete FTTH-solution, which will shorten turnaround times and increase flexibility, and on top of that offer DCS's expertise in assembly design and advisory service. DCS's production in the US will complement our current connectivity productions in Sweden, Estonia and the UK," says Henrik Larsson Lyon, CEO of Hexatronic Group.

Comments from DCS's CEO

"Joining the Hexatronic group is a huge step towards DCS fulfilling our vision to be the worldwide leader of storage and network connectivity for large enterprise class data centers," says Kevin Ehringer, founder and CEO of DCS.

Advisor

White & Case Advokat AB has acted as legal counsel to Hexatronic in the transaction.

Gothenburg, September 22, 2021

Henrik Larsson Lyon
CEO Hexatronic Group

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The information was submitted for publication, through the agency of the contacts set out above, at 7pm CET on September 22, 2021.

Hexatronic Group AB (publ) is a group that develops, markets and delivers products, components and system solutions with the main focus on the fiber optic market. Hexatronic offers a wide range of innovative system and product solutions mainly for passive fiber optic infrastructure with global trademarks like Matrix, Viper, Stingray, Raptor, InOne, Drytech™, Lightmate®, Skyline and Wistom®. The Group has its headquarters in Gothenburg, Sweden and has sales offices and/or subsidiaries in Sweden, Norway, Denmark, Finland, United Kingdom, the Netherlands, Italy, Estonia, Latvia, Lithuania, Germany, China, New Zealand, Australia, US and Canada. The Group is listed on Nasdaq Stockholm under the ticker HTRO. For more information, visit <https://group.hexatronic.com/en>.