



Alcadon Group



2020

januari - december

YEAR-END REPORT

Year-end report

1 January – 31 December 2020

Strategic acquisition and significantly strengthened profit and margins

FOURTH QUARTER 2020

- Net sales decreased by 6.2 percent to MSEK 110.8 (118.1).
In unchanged currency levels, net sales decreased by 5.2 percent.
- Operating profit after depreciation/amortization increased by 62.1 percent to MSEK 9.4 (5.8) including positive currency effects of MSEK 0.9 (0.2).
- Cash flow from operating activities amounted to MSEK 20.8 (43.2).
- Earnings per share increased to SEK 0.38 (0.18).
- Solidity increased to 51.9 percent from 47.5 percent in Q3 2020.

YEAR AS A WHOLE, JANUARY – DECEMBER 2020

- Net sales decreased by 3.6 percent to MSEK 467.6 (485.2).
In unchanged currency levels, net sales decreased by 1.1 percent.
- Operating profit after depreciation/amortization increased by 38.8 percent to MSEK 43.1 (31.1) including negative currency effects of MSEK -0.9 (-1.8).
- Cash flow from operating activities amounted to MSEK 31.1 (35.6).
- Earnings per share increased to SEK 1.72 (1.15).
- Solidity increased to 51.9 percent from 47.8 percent.

	Quarter 4		Full year	
	2020	2019	2020	2019
Operating income, MSEK	110,8	118,1	467,6	485,2
Gross margin, %	31,2	27,3	28,7	26,8
Operating result after depreciation/amortization (EBIT), MSEK	9,4	5,8	43,1	31,1
Operating margin after depreciation/amortization (EBIT), %	8,5	4,9	9,2	6,4
Profit or loss for the period, MSEK	6,3	3,1	29,0	19,5
Earnings per share, SEK	0,38	0,18	1,72	1,15

SIGNIFICANT EVENTS DURING THE QUARTER

- Alcadon Group signs agreement on the acquisition of Danish 6X International ApS and its German subsidiary 6X International GmbH.

SIGNIFICANT EVENTS AFTER THE PERIOD

- Alcadon has carried out a directed non-cash issue of 981,780 shares as part of the completion of the acquisition of Danish 6X International ApS and its German subsidiary 6X International GmbH on 7 January 2021.
- In light of the recent acquisition of 6X, the Board proposes that no dividend be paid for 2020.

Stockholm, 24 February 2021

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This information is information that Alcadon Group AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8:00 am on 24 February 2021.



A word from the CEO

- **EBIT growth of 62 percent and strengthened margins**
- **Strategic acquisition completed in Denmark and Germany**
- **Slight negative impact on sales from reduced market activity due to COVID-19**

DEVELOPMENT DURING THE QUARTER

The quarter was characterized by the acquisition of the 6X International group. Our newly established presence on the German and Danish growth markets, cross-selling synergies and favourable market conditions are expected to contribute positively to the Group's performance in the coming year.

The establishment of a central logistics unit in Sweden during the autumn has led to the desired results, with enhanced capacity and efficiency. The organization has also been strengthened during the quarter, with a number of key recruitments.

The fourth quarter showed a positive development, with an EBIT growth of 62 percent and continued strengthening of margins, as a result of the actions implemented by the Group since 2019. The market development has been weak in certain segments, with some negative impact from the COVID-19 restrictions. A number of projects relating to Commercial properties have been postponed to 2021, and the future introduction of government subsidies in 2021 to 2022 reduced the market demand in Fiber networks during the quarter.

Proprietary systems and products accounted for 29 (31) percent of net sales during Q4.

Commercial property networks: 43 (45) percent of net sales during Q4

Increased restrictions in connection with the pandemic have limited our customers' access to certain projects, which has affected sales. Several segments saw strong demand, for example sales to data center projects where Alcadon has increased its activities and expanded its range over the course of the year.

The end customer segments of the business area comprises commercial properties such as offices, airports, hospitals, shopping centers, industrial premises and data centers.

Residential: 19 (16) percent of net sales during Q4

The year 2020 was characterized by a reluctance to invest, and deferred projects have impacted the market negatively. Nevertheless, the quarter developed positively despite increasing restrictions in both Sweden and Norway.

The underlying conditions for growth remain strong, and the product range is gradually expanded to strengthen the customer offering.

A significant portion of the business area is based on concepts where data communication and solutions for smart and safe homes are combined.

Fiber networks/FTTx: 33 (34) percent of net sales during Q4

Overall, the business area experienced stable demand. The fact that a number of market participants are awaiting government subsidies for 2021-2022 has partially affected growth. At the same time, market development was positive in Q3.

The conditions are favourable for a positive market development moving forward. Increased subsidies on broadband deployment, completed 5G auctions in Sweden, and presence in Germany and Denmark should be conducive to strong growth conditions. In general, Alcadon's market benefits from an increasing awareness in society of the need for reliable network infrastructure.

During the autumn, a joint project was initiated with one of the major operators in the Nordic countries, aiming to develop further a 5G range for specific applications.

Services & Training: 4 (4) percent of net sales during Q4

Overall, demand remained subdued in the business area. Courses continues according to plan, in digital form. The work to create an accrediting qualification for installers in order to raise the quality of future communication networks in properties has now entered the final phase. This effort has involved the industry association CANT, among others.

Services & Training supports our value-adding selling in all business areas, for example by means of customer training and rental of instruments.

FINANCIALS

Net sales decreased by 3.6 percent to MSEK 467.6 (485.2) during the year.). In unchanged currency levels, net sales decreased by 1.1 percent.

The year was characterized by strengthened gross margins and reduced costs, resulting in a significant improvement of the operating profit. Operating profit after depreciation/amortization (EBIT) amounted to MSEK 43.1 (31.1) for 2020, an increase of 38.8 percent. Cash flow from operating activities amounted to MSEK 31.1 (35.6).

Net sales for the quarter decreased by 6.2 percent compared with the corresponding period 2019). In unchanged currency levels, net sales decreased by 5.2 percent.

Operating profit after depreciation/amortization (EBIT) during Q4 2020 amounted to MSEK 9.4 (5.8), an increase of 62.1 percent. The performance improvement is, in addition to the stronger gross margins, attributable to the cost savings measures implemented during 2019 of MSEK 8 gross year on year and other efficiencies introduced during 2020. Cash flow from operating activities during Q4 amounted to MSEK 20.8 (43.2).

CONCLUDING REMARKS

The acquisition of the 6X group puts us in a strong position in Denmark and gains us a good foothold in Germany, with real prospects for growth. We envisage a material exchange of competence in data centers and fiber networks between the companies. The companies have collaborated during 2019 and 2020, and we are well familiar with each other. The product portfolios complement each other, and the business culture of the companies is one of entrepreneurship, with a focus on product competence and premium solutions. In the near future, our focus will be on integration, an effort that started during the autumn. In addition, we are still actively evaluating a number of prospective acquisitions.

Alcadon and 6X entered into new, extended and prolonged agreements with a number of major customers during the quarter, such as Fibia, Norlys, NordEnergi, Energi Fyn, Telenor, Transtema, JM, Bravida and Umia. A global framework agreement has further been concluded between 6X and EQT to facilitate discussions with their portfolio companies active in fiber roll-out.

Thus far, Alcadon has managed well through the pandemic. Focused efforts on efficiency-enhancing measures and a focus on margins have produced the desired effect. For the forthcoming quarter, a certain uncertainty obviously prevails with regard to the impact of the pandemic, but network infrastructure has been an area left relatively unscathed; rather, the future outlook has only improved over the last year.

Studies published by the FTTH Council and Fibre Systems support that the pandemic may have a long-term positive impact on our industry. They also demonstrate that increased fiber access in a society leads to clear positive ESG effects. Moreover, the need within several sectors to catch up on investments and the onset of 5G development entail that the future market outlook is full of promise. All in all, we have plenty of reasons to feel confident about the Group's future.



Sonny Mirborn
CEO and President
Alcadon Group AB

INDICATORS FOR THE GROUP	Quarter 4		Full year	
	2020	2019	2020	2019
Operating profit, MSEK	110,8	118,1	467,6	485,2
Gross margin, %	31,2	27,3	28,7	26,8
Operating profit after depreciation/amortization (EBIT),MSEK	9,4	5,8	43,1	31,1
Operating margin after depreciation/amortization (EBIT),%	8,5	4,9	9,2	6,4
Profit or loss for the period, MSEK	6,3	3,1	29,0	19,5
Net margin, %	5,7	2,6	6,2	4,0
Solidity, %	51,9	47,8	51,9	47,8
Return on equity, %	12,5	9,4	13,1	9,6
Net interest-bearing debt, MSEK	101,4	109,9	101,4	109,9
Cash flow from operating activities, MSEK	20,8	43,2	31,1	35,6
Cash flow from operating activities per share, SEK	1,2	2,6	1,8	2,1
Equity per share, SEK	13,9	12,3	13,9	12,3
Earnings per share, SEK	0,38	0,18	1,72	1,15
Number of shares at the end of the period ¹⁾	16 859 246	16 859 246	16 859 246	16 859 246
Average number of shares	16 859 246	16 859 246	16 859 246	16 859 246
Number of employees at the end of the period	65	62	65	62
Average number of employees during the period	65	63	61	67

¹⁾ On 6 January 2021, the Board of Directors resolved upon a directed new issue of 981,780 shares in Alcadon Group AB to Susanne Stengade Holding ApS as part of the payment for the acquisition of Danish 6X International ApS and its German subsidiary 6X International GmbH. As a result of the new issue, the number of shares in Alcadon Group AB increased from 16,859,246 to 17,841,026.

DEFINITIONS

Gross margin:	Gross result as a percentage of net sales for the period.
EBIT margin:	Operating result after depreciation as a percentage of net sales for the period.
Net margin:	Profit or loss for the period as a percentage of net sales.
Return on equity:	Net profit or loss for the last 12 months as a percentage of average equity.
Net interest-bearing liabilities:	The net total of financial assets including cash and cash equivalents less interest-bearing provisions and liabilities.
Solidity:	Equity as a percentage of total assets (excluding cash balance and financial assets) at the end of the period.
Earnings per share:	Net profit or loss for the period divided by the average number of shares during the period.
Cash flow from operating activities per share, SEK:	Cash flow from operating activities divided by the average number of shares during the period.

The Company applies the ESMA Guidelines on Alternative Performance Measures. An alternative performance measure is a financial measure other than those defined or specified in the applicable rules of financial reporting (such as IFRS and the Swedish Annual Accounts Act). The alternative performance measures must therefore be explained in the financial reports. In accordance with these guidelines, the Group's alternative performance measures are defined above. The Group applies alternative performance measures as the Company has made the assessment that they provide valuable, additional information to the management and investors, since they are key to the understanding and evaluation of the Group's operations.