



Alcadon Group

The Alcadon Way

Enabling Digitalization for a **better** world



2021

January–September

INTERIM REPORT

Interim report

1 January – 30 September 2021 Solid growth and increase in operating profits

THIRD QUARTER 2021

- Net sales increased by 92 percent to 182.7 (95.1) MSEK. In unchanged currency levels, net sales increased by 93 percent.
- Operating profit after depreciation/amortization increased by 157 percent to MSEK 17.3 (6.7) including negative currency effects of -0.9 (-0.8) MSEK.
- Cash flow from operating activities amounted to MSEK -8.8 (-16.8).
- Earnings per share increased to SEK 0.71 (0.24).
- During the third quarter, solidity increased to 49.2 percent from 45.7 percent.

THE INTERIM PERIOD JANUARY – SEPTEMBER 2021

- Net sales increased by 49 percent to MSEK 530.1 (356.8). In unchanged currency levels, net sales increased by 50 percent.
- Operating profit after depreciation/amortization increased by 50 percent to 50.7 (33.7) MSEK including negative currency effects of -1.9 (-1.8) MSEK. Operating profit was negatively impacted by acquisition costs of MSEK -1.5.
- Cash flow from operating activities amounted to MSEK 26.2 (10.3).
- Earnings per share increased to SEK 2.03 (1.35).
- During the period, solidity decreased to 49.2 percent from 47.5 percent.

	Quarter 3		January-September		Full year
	2021	2020	2021	2020	2020
Operating income, MSEK	182.7	95.1	530.1	356.8	467.6
Gross margin, %	27.8	29.9	28.5	27.9	28.7
Operating profit after depreciation/amortization (EBIT), MSEK	17.3	6.7	50.7	33.7	43.1
Operating margin after depreciation/amortization (EBIT), %	9.5	7.1	9.6	9.5	9.2
Profit or loss for the period, MSEK	12.8	4.0	36.1	22.7	29.0
Earnings per share, SEK	0.71	0.24	2.03	1.35	1.72

SIGNIFICANT EVENTS DURING THE QUARTER

- Alcadon enters into a new exclusive supply agreement with Norlys in Denmark for a period of 3+1 years, with estimated sales per annum of MDKK 30-35.
- Alcadon recently secured its 10th FTTH project in Germany, worth MEUR 1.
- Alcadon was refinanced in July 2021. The Group's new main bank is now SEB.
- The refinancing is estimated to reduce financing costs by approximately MSEK 2.5-2.7 before taxes, on an annual basis.
- Alcadon signs agreement with Deutsche Glasfaser, a leading German FTTH provider, concerning delivery of products for the FTTH roll-out in Germany, with an estimated value of MEUR 20 per annum. The agreement extends over a period of 3+1 years, and deliveries are expected to commence in December 2021.
- Alcadon has carried out a directed new issue of 500,000 shares to Consensus Asset Management, raising proceeds of SEK 28,850,000. The directed issue purports to fund the Company's continued acquisitions, and the reason for the deviation from the shareholders' preferential rights is to broaden the shareholder base to include a shareholder that is of strategic importance to the Company.
- Alcadon's Norwegian subsidiary Alcadon AS has, together with Bravida, won a project to Forsvarsbygg in Commercial Properties, with an estimated worth of approximately MNOK 13.

NO SIGNIFICANT EVENTS AFTER THE PERIOD

Stockholm, 22 October 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 22 October 2021.



A word from the CEO

- **A 92 percent growth in sales and a 157 percent growth in operating profit, supported by both organic growth and acquisitions**
- **The underlying demand is increasing gradually across several segments**
- **Continued negative impact of supply chain disruptions**

DEVELOPMENT DURING THE QUARTER

The development during the quarter was satisfactory across all markets. In several segments, underlying demand is on the rise. Efforts implemented in specific segments, such as the data center market and antenna solutions, are yielding results. It is gratifying to see that the synergistic effect of the 6X International acquisition is materializing according to plan, with positive and tangible results. The upcoming projects in accordance with the recently concluded major agreements in Germany have not commenced in Q3; deliveries are expected to start and gradually increase as of Q4, subject to change if stricter COVID-19-related restrictions are imposed or continued supply chain disruptions occur.

The development in the Swedish market was positively affected by increased sales to the data center segment. The installation market is showing an overall stable trend, where we expect demand to increase somewhat in the coming months.

Sales to Norwegian operators have advanced well, and targeted measures aimed at the data center segment and a gradually increasing demand in the installation market should provide additional support moving forward.

Denmark is performing very well, and efforts related to both radio and antenna solutions and commercial property networks hold promise of generating sales in new segments in the months ahead.

The Group's efforts in the German market are going ahead according to plan, and operations are scaled up gradually. The development of the market should benefit from the fact that representatives of industry and leading politicians in Germany prominently are advocating increased investment in digital infrastructure.

Supply chain disruptions have a negative impact on the Group, hampering the development that the growth in demand otherwise would have stimulated. Thus far, we have been able to counter the problems with global shortages of componentry and extended lead times to some extent, thanks to good customer relations and structured sourcing plans.

Proprietary systems and products accounted for 26 (31) percent of net sales during Q3.

COMMERCIAL PROPERTY NETWORKS: 26 (43) PERCENT OF NET SALES DURING Q3

The trend remains clear, with a solid performance in the data center segments and public sectors. The development in commercial premises remains weak.

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

RESIDENTIAL NETWORKS: 9 (18) PERCENT OF NET SALES DURING Q3

The market continues to develop well, with products in Satellite TV distribution as the exception. A diversification of the product range is under way, as planned, which is expected to promote future growth within the segment.

A significant portion of the business area is constituted of concept selling, combining data communication and solutions for smart and safe homes.

FIBER NETWORKS/FTTX: 61 (36) PERCENT OF NET SALES DURING Q3

The strong development continues in Denmark and Germany. Sweden and Norway remain stable. Government subsidies for broadband are still expected to stimulate growth during 2022 and beyond. In the years ahead, fiber networks should perform well across all markets and in Germany in particular.

The Group's range in telecom and antenna materials is constantly evolving. Over time, it is expected to contribute to a further strengthening of our market position.

SERVICES & TRAINING: 4 (3) PERCENT OF NET SALES DURING Q3

The operations in the business area support the offering of the other business areas and is developing according to plan.

FINANCIALS

Net sales increased by 92.1 percent to MSEK 182.7 (95.1) during the quarter. In unchanged currency levels, net sales increased by 93.3 (-1.6) percent.

The quarter was characterized by persistently strong gross margins and slightly increased overhead due to higher freight costs and new recruitments.

Operating profit after depreciation/amortization (EBIT) amounted to MSEK 17.3 (6.7) during the quarter, an increase of 157.4 percent. Foreign exchange losses of MSEK -0.9 (-0.8) and restructuring costs of MSEK -0.8 (0.0) burdened the result. During 2020, one-off costs of approximately MSEK -0.6 related to the move of the central warehouse impacted EBIT for the quarter negatively. Cash flow from operating activities amounted to MSEK -8.8 (-16.8).

CONCLUDING REMARKS

As expected, our market is experiencing a very positive development worldwide. The consistently strong need for broadband rollouts, increasing demand for new radio and antenna solutions due to 5G, and a steadily growing installation market create favourable conditions for organic growth.

In addition to the ongoing focus on organic growth, acquisitions continue to be a priority for Alcadon. Acquiring companies in segments where we operate, or in related segments, has distinct advantages that should not be underestimated. The acquisition of 6X International is a good example, which demonstrates how acquisitions related to our current business can result in lower risk and greater opportunities when the acquisition agenda is clear and the integration meticulously planned.

Alcadon Group will continue to pursue value-adding acquisitions, with a well-defined plan to strengthen the Group's competitiveness and offering.



Sonny Mirborn
CEO and President
Alcadon Group AB

INDICATORS FOR THE GROUP	Quarter 3		January-September		Full year
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Operating margin after depreciation/amortization (EBIT), %	9.5	7.1	9.6	9.5	9.2
Profit or loss for the period, MSEK	12.8	4.0	36.1	22.7	29.0
Net margin, %	7.0	4.2	6.8	6.4	6.2
Solidity, %	49.2	47.5	49.2	47.5	51.9
Return on equity, %	14.0	11.4	14.9	11.8	13.1
Net interest-bearing liabilities, MSEK	130.2	118.7	130.2	118.7	137.4
Cash flow from operating activities, MSEK	-8.8	-16.8	26.2	10.3	31.1
Cash flow from operating activities per share, SEK	-0.5	-1.0	1.5	0.6	1.8
Equity per share, SEK	17.9	13.5	17.9	13.5	17.0
Earnings per share, SEK	0.71	0.24	2.03	1.35	1.72
Number of shares at the end of the period	18 341 026	16 859 246	18 341 026	16 859 246	16 859 246
Average number of shares	17 924 359	16 859 246	17 814 260	16 859 246	16 859 246
Number of employees at the end of the period	85	63	85	63	65
Average number of employees during the period	86	62	85	60	61

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. The calculation for 2021 includes lease liabilities in accordance with IFRS 16, totaling MSEK 33.9.
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.