

Ferronordic expands to the USA – acquires one of the country’s largest Volvo Construction Equipment dealers

Ferronordic has entered into an agreement to purchase Rudd Equipment Company, Inc. (“Rudd”), one of the largest dealers of Volvo CE in the United States with operations in all or parts of nine states. Ferronordic thereby takes its first step to expand into the important US market. The purchase price amounts to USD 95.0m, corresponding to 5.8 x 2022 adjusted earnings before tax. In 2022, Rudd had sales of USD 308.3m with an operating income of USD 16.5m and earnings before tax of USD 16.4m (both adjusted to IFRS). In addition, Ferronordic acquires two real properties for USD 10m, currently rented by Rudd.

Rudd is one of the largest distributors of Volvo CE in the US, covering all or parts of nine states. The company also represents other strong brands, such as Hitachi, Sandvik and Link-Belt. Rudd is based in Kentucky but covers an extensive sales area with several large cities, such as Cincinnati, Columbus, St. Louis, Cleveland and Pittsburgh. Rudd has long traditions, strong customer relationships and a solid business that showed almost 22% revenue growth 2021–2022.

Lars Corneliusson, Ferronordic’s CEO, comments: *“This is a transformational transaction for us. We have been looking for opportunities to expand geographically in different regions, mainly in developed markets. The US is the world’s second largest market for construction equipment with substantive infrastructure investment programs that are likely to support strong demand going forward.”*

Comment from Scott Young, Head of Sales Region North America, Volvo CE: *“We are excited to welcome Ferronordic into the North American dealer network. Cultivating strategic partnerships is about creating shared value and driving mutual growth. There are incredible opportunities ahead as we continue to provide best-in-line equipment, solutions, and support to our customers.”*

Lars Corneliusson continues: *“Rudd is a great strategic fit for Ferronordic and provides the platform and scale we have been looking for. The acquisition gives a strong base in a dynamic market that opens potential for further expansion in North America. This is a first major step to rebuild Ferronordic as a leading service and sales company, in addition to our businesses in Germany and Kazakhstan”.*

About Rudd

In 2022, sales of equipment and parts relating to Volvo CE made up approx. 70% of Rudd’s revenue. The remaining revenue related to other brands.

Rudd was founded in 1952. The company is headquartered in Louisville, Kentucky, and has 13 outlets and approx. 360 full-time employees.



Sales area and market

The company's sales area for Volvo CE covers all or portions of nine states:

- Kentucky
- Ohio
- Indiana (except some counties)
- West Virginia (except some counties)
- Western Pennsylvania
- Eastern Missouri
- Southern Illinois
- Several counties in Tennessee and Maryland

In 2022, the market for Volvo CE products (GPE) in Rudd's sales area amounted to approx. 4,000 machines. During the last 4 years, the average market in the area amounted to approx. 3,700 units but with significant drops in 2020 and 2021 related to Covid-19.



Rudd has historically had a strong focus on excavation and extractive industries, particularly in Kentucky and West Virginia. In the last years the company has focused more on the general construction segment. Ferronordic sees potential to increase the company's market share in this segment further, especially in certain larger cities such as St. Louis, Pittsburgh and Cleveland.

Organization and network

Ferronordic does not foresee any major changes to the current organization of Rudd and has committed to retain current employees at current terms and conditions for at least 12 months.



Ferronordic's ambition over time is to invest in improved facilities in some of the larger cities in the sales area but generally, the network is in good condition.

After closing, Rudd will be a wholly owned subsidiary of Ferronordic AB and will be integrated into Ferronordic's general corporate governance and internal controls.

Financial history

Rudd's adjusted financial history is presented in the table below:

USD m	8m 2023	6m 2023	2022	2021	2020	2019
Revenue	180.7	138.1	308.3	252.9	210.8	246.5
EBIT	13.3	9.7	16.5	0.5	1.7	12.7
EBT	12.7	9.3	16.4	7.9	0.3	9.0

Information on the years 2019-2022 is based on Rudd's audited US GAAP financial statements and adjusted for the main differences to IFRS. Information on 6m 2023 and 8m 2023 is based on the company's unaudited and unadjusted management accounts. Rudd is currently a so-called S-corporation, meaning that the company is taxed at the shareholder level. As a subsidiary to Ferronordic, Rudd would pay corporate income tax.

Covid-19 had a significant negative effect on Rudd's earnings in 2020 and 2021 as costs were high in relation to revenue. This was partly compensated in 2021 through the forgiveness of a covid-related support loan. The loan forgiveness was reported below EBIT, explaining the difference between EBIT and EBT.

Ferronordic expects Rudd to generate positive earnings and cash flows immediately from closing.

In the first six months of 2023, Ferronordic had revenue of USD¹ 124.6m, operating profit of USD -2.4m, earnings before tax of USD 8.4m and net income and USD 6.8m.

Purchase price

The purchase price amounts to USD 95.0m, corresponding to 5.8 x 2022 IFRS-adjusted earnings before tax. Based on the expected net debt at closing, the expected enterprise value amounts to USD 113.0m, equal to 6.9 x 2022 IFRS-adjusted EBIT.

The price is based on an expected net asset value of Rudd at closing of USD 86.8m (based on US GAAP). Based on this, the price would correspond to a goodwill of USD 8.2m. The purchase price will be trued up post-closing depending on whether the net asset value at closing is higher or lower than the expected net asset value. The final goodwill amount based on IFRS will be disclosed later once the final purchase price has been determined and Rudd is consolidated into the Ferronordic Group.

Purchase of real estate in Cincinnati and Louisville

Ferronordic will also acquire two real properties in Cincinnati and Louisville, currently rented by Rudd from its owner. The price for the properties is USD 10m. In 2022, the base rent for the properties, reported as operating expenses, amounted to USD 0.7m. After this, Rudd will own 8 of the 13 locations used to operate the business.

Financing and net debt impact

The total price for the stock in Rudd and the two properties amounts to USD 105m. Out of this amount, USD 60m will be financed with own cash/equity and USD 45m with new bank debt. Ferronordic has received a commitment letter from Nordea for a three-year USD 45m term loan facility for the acquisition, as well as a USD 35m working capital facility.

Following the transaction, Ferronordic's net debt is expected to increase by approx. SEK² 1,340m. As at 30 June 2023, Ferronordic had a net cash position SEK 539m. Based on



Ferronordic's financial position at 30 June 2023, the transaction would change the net cash to a net debt position of SEK 801m.

Conditions and expected timing for closing

All consents and approvals for the transaction have been obtained, including the approval of Volvo CE. Thus, all conditions for the transaction have been satisfied. The transaction will be completed on 30 November 2023.

Impact on other businesses

The transaction is not expected to have any direct impact on Ferronordic's business in Germany and Kazakhstan.

Invitation to conference call

Ferronordic invites investors, analysts and the media to a presentation where Lars Corneliusson, CEO, and Erik Danemar, CFO, comment on the transaction. The presentation will be held immediately after and on the same link as Ferronordic's webcast on its Q3 2023 results at 10:00 CET on 16 November 2023. The presentation can be followed via telephone conference or audiocast.

The presentation will be held in English and will be followed by a questions and answers session. Questions can be asked via the telephone conference or in written form via the audiocast.

If you wish to participate via teleconference, please register on the link below. After registration you will be provided phone numbers and a conference ID to access the conference. You can ask questions via the teleconference.

<https://conference.financialhearings.com/teleconference/?id=5003350>

If you wish to participate via webcast, please use the link below.

<https://ir.financialhearings.com/ferronordic-q3-report-2023>

After the presentation, a recording will be available at the same web page.

1. *Converted at the average SEK/USD rate of the Swedish Riksbank of 10.47*
2. *Converted at the SEK/USD rate of the Swedish Riksbank as at 13 November 2023 of 10.89.*



About Ferronordic

Ferronordic is a service and sales company in the areas of construction equipment and trucks. It is dealer of Volvo Trucks, Renault Trucks and Sandvik Mobile Crushers in Germany and dealer of Volvo CE and certain other brands in Kazakhstan. Ferronordic began its operations in 2010 and currently has 28 outlets and approx. 450 employees. Ferronordic's vision is to be the leading service and sales company in its markets. The shares in Ferronordic AB (publ) are listed on Nasdaq Stockholm. www.ferronordic.com

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