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MEKO strengthens its position in Northern Europe – expands in Finland and into the Baltic region

MEKO (previously Mekonomen Group) has entered into an agreement to acquire Koivunen, the leading provider of automotive spare parts and related services in Finland and Estonia, with operations also in Latvia and Lithuania. The enterprise value is EUR 122 million (SEK 1,280 million) on a cash and debt free basis. Thus, MEKO is expanding its current Finnish operations and establishing itself in the Baltics. Through the expansion, MEKO will have a presence around the Baltic Sea and strengthen its position as Northern Europe's leading player in the automotive aftermarket.

Koivunen had net sales of approximately SEK 1,740 million and an EBIT of approximately SEK 98 million during the financial year 2021. Approximately 70% of net sales in 2021 were generated in Finland and 30% in Estonia, Latvia and Lithuania. Koivunen owns a large part of the properties it operates in Finland, Estonia and Latvia. As a result, the properties constitute a valuable asset to the company and also a material part of the transaction value. MEKO plans to evaluate the long-term ownership strategy for the properties. The acquisition is expected to generate annual synergies of SEK 40 million due to complementary geographical presence as well as overlaps in supply chain, purchasing and other operational areas, with full effect expected during 2024.

Through the acquisition, MEKO establishes itself as the leading player in Finland, where the company currently has a relatively small operation, and in Estonia, where it currently has no presence. The acquisition also expands MEKO's operations to Latvia and Lithuania. Koivunen's distribution channels include affiliated and independent workshops and resellers, industry customers and exports. Going forward, Koivunen will operate within the framework of the existing corporate structure and multi-brand strategy as a standalone business area within MEKO across its geographies, including MEKO's current operation in Finland.

"I am very glad to announce this important step. The acquisition of Koivunen is in line with our well-proven strategy to create value through carefully selected acquisitions, as we have previously done in Sweden, Norway, Denmark and Poland. Koivunen is a prosperous company with strong brands that will continue to develop in its existing company structure as its own business area. With Koivunen in MEKO, we take a clear step towards the goal of being the best and most comprehensive partner for everyone who owns and services vehicles in Northern Europe", says Pehr Oscarson, MEKO's President and CEO.

"Adding Koivunen to MEKO further solidifies our position as the leading automotive aftermarket player in the Nordics and gives us additional growth opportunities that will benefit our customers, employees and shareholders", says Robert M. Hanser, Chairman of MEKO.

"Koivunen has a long tradition as a family-owned company with engaged partners and employees who put customers first. We are pleased that Koivunen lands in good hands and becomes part of MEKO, an impressive industry leader in Northern Europe. This step entails many benefits, not least an increased opportunity for our brands to grow stronger and benefit from the power that comes from being part of a larger group. We look forward to follow the journey ahead", says Jukka Kock, Chairman of Koivunen Oy.

The acquisition of Koivunen is in line with MEKO's growth strategy in Northern Europe, extending its presence around the Baltic Sea region, following the previous acquisitions of FTZ and Inter-Team in 2018. The transaction is supported by strong strategic rationale arising from gaining market position and growth as well as through synergies and other efficiencies. Participating in market consolidation provides resources to strengthen MEKO's position in a competitive environment and to continue to lead the aftermarket's transformation towards a future where the car fleet is electrified. The transaction is also expected to increase economies of scale to MEKO's current operation in Finland and to bring synergies within distribution, warehousing, sourcing, common private label offerings, as well as digitalization and concept development, for the Group.

The transaction and synergies

MEKO has entered into an agreement to acquire Koivunen for an enterprise value of EUR 122 million (SEK 1,280 million) on a cash and debt free basis. The acquisition is expected to be completed during the third quarter of 2022.

The acquisition is expected to have a positive effect on MEKO's earnings per share of SEK 1.50 – 2.00 and generate yearly recurring synergies of SEK 40 million with full effect expected during 2024.

The coming years recurring integration costs are expected to be non-significant, as Koivunen will continue to operate as a stand-alone business, in line with MEKO's previous acquisitions. Transaction costs for the acquisition are estimated at SEK 25 million.

MEKO constantly evaluates its long-term financial targets based on market conditions and changes in the company structure. MEKO maintains its financial targets.

Financing

The acquisition will be financed in cash through existing liquidity and bank facilities.

Advisors

SEB Corporate Finance acted as financial advisor to MEKO in relation to the acquisition. Hannes Snellman acted as legal advisor in relation to the acquisition.

Press and analyst conference

Due to MEKO's acquisition, a telephone conference will be held in English, at 10:00 a.m. CEST on 14 June 2022. For participation details, please see separate press release.

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This information is such information that MEKO AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication through Pehr Oscarson, at 07:30 a.m. on 14 June 2022.

This press release will be published in Swedish, English and Finnish. The Swedish version represents the original version and has been translated into English and Finnish.

About Koivunen

Koivunen Oy, the privately held Finnish house of importers and warehouse distributors, offers spare parts, tools and other accessories from well-known brands together with its own private label offering.

Sales in Finland take place through over 150 well-known and reliable local branches and 200 specialized workshops. Most importantly through the concepts Fixus, Toolpack and Top Truck. Koivunen in Estonia operates mainly via the Balti Autoosad concept, which consists of 9 branches and a large customer base, while in Latvia and Lithuania the company mainly runs import and wholesale business.

The Koivunen Group has around 700 employees, the company's traditions go all the way to 1927, when the company Autosähkö was incorporated. Koivunen's geographical net sales split was approximately 70% Finland and 30% Estonia, Latvia and Lithuania in 2021. In general, the markets for private and corporate passenger car part wholesale in Finland and Baltic countries offer attractive expansion opportunities, as they are relatively fragmented markets yet geographically and culturally relatively close to the existing organization.

About MEKO AB (previously Mekonomen Group)

MEKO consists of the leading automotive spare-parts chains in the northern Europe; FTZ, Inter-Team, MECA, Mekonomen and Sørensen og Balchen, with proprietary wholesale operations, around 480 branches and 3,900 workshops operating under the Group's well-known brands. MEKO offer a wide and easily accessible range of inexpensive and innovative solutions and products for consumers and companies. The Group has an extensive private label assortment under several brands, e.g. ProMeister spare parts, a high quality assortment with 5 year warranty, adapted for the markets in Northern Europe.

MEKO is currently the number one actor in Denmark, Norway and Sweden, and number four in the Polish market. The Group has around 5.000 employees, was established in 1973 and is listed on Nasdaq OMX Nordic Exchange in Stockholm. The Geographical net sale split was 29% Sweden, 28% Denmark, 25% Norway, 17% Poland and 1% Finland. The Swedish, Norwegian and Danish markets is consolidated and consists of a few major players, while the Polish market are relatively fragmented. Read more about MEKO at www.mekonomen.com.
