



Press release

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Beijer Ref enters the North American market through the transformative acquisition of Heritage Distribution

Beijer Ref AB (publ) (“Beijer Ref”) has signed a binding agreement to acquire Heritage Distribution Holdings (“Heritage Distribution”) for a purchase price of USD 1,275 million¹ (USD 1,175 million excluding net present value of tax benefits) on a cash and debt free basis (approximately SEK 13,000 million).

- Beijer Ref and Gryphon Investors have signed a binding agreement whereby Beijer Ref will acquire Heritage Distribution for a purchase price in cash of USD 1,275 million¹ (USD 1,175 million excluding net present value of tax benefits) on a cash and debt free basis (SEK 13,000² million). The purchase price excluding net present value of tax benefits represents a multiple of 12x Heritage Distribution’s adjusted EBITDA³ for the twelve months ended September 30, 2022, and on a pro forma basis including acquisitions made by Heritage Distribution during 2022
- The acquisition of Heritage Distribution represents Beijer Ref’s entry into the strategically important and attractive North American market
- Heritage Distribution is a leading distribution company for Heating Ventilation Air Conditioning and Refrigeration (“HVACR”) equipment, parts and supplies in North America with a strong track-record of high and consistent organic growth and a high share of recurring revenues derived from repair and replacement
- For the twelve months ended September 30, 2022, and on a pro forma basis including acquisitions made by Heritage Distribution during 2022, Heritage Distribution had a turnover of USD 636 million (SEK 6,492 million) and an adjusted EBITDA of USD 95 million (SEK 970 million)
- The acquisition of Heritage Distribution provides an ideal platform for Beijer Ref, which includes businesses with longstanding track-records and an experienced management team that will continue to drive consolidation in the highly fragmented North American market
- The acquisition is financially compelling and Beijer Ref expects it to be EPS accretive in 2023 and accretive to Beijer Ref’s organic sales growth and EBITDA margin⁴
- The acquisition is fully financed through a bridge facility provided by Handelsbanken and Nordea. Beijer Ref intends to repay the bridge facility with proceeds from a fully underwritten rights issue of class B shares amounting to approximately SEK 14 billion with preferential rights for existing shareholders in Beijer Ref, intended to be launched during the first half of 2023. EQT has undertaken to subscribe for its pro rata share of the rights issue, corresponding to 29.8% of the shares⁵. Citi, Handelsbanken and Nordea have committed to underwrite the remaining 70.2% of the rights issue by entering into a so-called standby underwriting agreement, subject to customary terms and conditions
- The acquisition is conditional upon regulatory approvals and customary closing conditions and is expected to close early in Q1 2023

Beijer Ref has signed a binding agreement with Gryphon Investors to acquire Heritage Distribution, a leading North American distribution company for HVACR equipment, parts and supplies. The acquisition includes approximately 98% of the shares in Heritage Distribution and the remaining shareholding will continue to be held by current management. The acquisition will be Beijer Ref’s entry into the North American market and will establish the company as a leading HVACR distributor in the U.S. South/South East region, one of the most attractive regions for HVACR in North America.

Heritage Distribution originated from mergers of three regional leaders, each with longstanding track-records and strong brands – Wittichen Supply (founded in 1914), Benoist Brother Supply (founded in 1928) and Ed's Supply (founded in 1957). Heritage Distribution is headquartered in Atlanta, Georgia, with 64 branches in ten states and approximately 800 employees.

Heritage Distribution⁶ has a strong track-record of high and consistent organic growth, and a high share of recurring revenues, with repair and replacement representing approximately 95% of sales. In terms of end markets, the residential segment represents approximately 90% of sales. Heritage Distribution has experienced a long-term compound annual organic growth of approximately 9% over the period 2012-2021⁷ and an adjusted EBITDA margin of 15% for the twelve months ended September 30, 2022, and on a pro forma basis including acquisitions made by Heritage Distribution during 2022.

Heritage Distribution provides an ideal platform from which Beijer Ref is well placed to drive consolidation of the North American market. Beijer Ref will add strategic synergies to Heritage Distribution's operations in new technologies such as CO₂-based systems, global supplier agreements, private label products (both in HVAC and refrigeration) and strong capabilities in M&A. In addition, Heritage Distribution has a broad and diverse product portfolio with comprehensive brands that will complement Beijer Ref's current product offering.

For the twelve months ended September 30, 2022, and on a pro forma basis including acquisitions made by Heritage Distribution during 2022, Heritage Distribution had a turnover of USD 636 million (SEK 6,492 million) with an adjusted EBITDA margin of 15%.

Christopher Norbye, CEO Beijer Ref, comments:

"The acquisition of Heritage Distribution constitutes an important strategic step for Beijer Ref. The North American market is currently undergoing a shift towards electrification and energy efficiency, accelerated by regulatory changes. Also, the growing recognition of indoor air quality and climate change impacts has increased the demand for environmentally friendly and innovative HVAC technologies, which creates a great opportunity for our combined product offering. Furthermore, the North American market is highly fragmented and Heritage Distribution offers an excellent platform from which we can continue to drive consolidation. With our collective industry awareness and proficiency, there are many significant and valuable synergies to be unlocked. We are pleased to welcome Heritage Distribution to the Beijer Ref group and look forward to continuing their successful journey."

Alex Averitt, CEO Heritage Distribution, comments:

"We are really excited to be joining the Beijer Ref family, a world-leading distributor and wholesaler of cooling technology and HVAC. Personally, I am looking forward to working with Christopher and the whole Beijer Ref team to unlock the many growth opportunities that we will have. Beijer Ref has an impressive history of successful acquisitions and strong organic growth. This agreement enhances our current position in the U.S. and is expected to generate many positive outcomes for our customers and employees, who will benefit from our expanded product portfolio and value-creating synergies. Heritage Distribution Holdings and Beijer Ref share the same decentralized business model where entrepreneurial thinking and freedom with responsibility permeating the organization. Joining forces will enable us to accelerate growth and explore new development opportunities."

Rationale for the acquisition

The acquisition of Heritage Distribution marks Beijer Ref's entry into the strategically important and attractive North American market. North America represents a significant growth opportunity for Beijer Ref as it is the world's largest HVACR market. It is a highly fragmented market underpinned by strong secular trends and a regulatory shift towards more energy efficient and sustainable products. In addition, the ongoing market shift towards higher electrification and energy efficiency drives increased underlying demand.

Heritage Distribution is a leading HVACR distributor in the South/South East region of the U.S. which is one of the most attractive regions for HVACR in North America. The region experiences a warm climate entailing high frequency replacement cycles that are expected to accelerate due to climate change and higher energy efficiency demands.

Heritage Distribution is an ideal platform with an experienced management team that will continue to drive consolidation in the highly fragmented North American market. The acquisition also enables a significant opportunity to cross-sell Beijer Ref's green refrigeration OEM product offering. Moreover, Beijer Ref's strong relationships with global OEM suppliers is expected to lead to scale benefits and a broader product offering.

In addition, the acquisition is expected to enhance Beijer Ref's organic growth profile. Heritage Distribution had a compound annual organic sales growth rate of approximately 9% over the period 2012-2021. Beijer Ref expects the acquisition of Heritage Distribution to be accretive to Beijer Ref's EBITDA margin and organic sales growth. For the twelve months ended September 30, 2022, and on a pro forma basis including acquisitions made by Heritage Distribution during 2022, Heritage Distribution had an adjusted EBITDA margin of 15%, compared to Beijer Ref's EBITDA margin of 12% over the

same period.

Financing of the acquisition

The acquisition will be financed through a bridge facility provided by Handelsbanken and Nordea.

To repay the bridge facility, Beijer Ref intends to carry out a rights issue of class B shares amounting to approximately SEK 14 billion with preferential rights for existing shareholders in Beijer Ref during the first half of 2023, after closing of the acquisition.

The shareholders EQT, Joen Magnusson and Per Bertland, together controlling 53.2% of the votes outstanding⁸, have undertaken to vote in favor of the implementation of the rights issue at an extraordinary general meeting. EQT has also undertaken to subscribe for its pro rata share of the rights issue, corresponding to 29.8% of the shares in the rights issue⁹. Citi, Handelsbanken and Nordea have committed to underwrite the remaining 70.2% of the rights issue by entering into a so called standby underwriting agreement, subject to customary terms and conditions.

A detailed time plan and the forms for the implementation of the rights issue will be announced at a later stage.

Financial terms and effects for Beijer Ref

The consideration for the acquisition of Heritage Distribution amounts to USD 1,275 million¹⁰ (USD 1,175 million excluding net present value of tax benefits) on a cash and debt free basis (approximately SEK 13,000 million). The purchase price excluding net present value of tax benefits represents a multiple of 12x Heritage Distribution's adjusted EBITDA for the twelve months ended September 30, 2022, and on a pro forma basis including acquisitions made by Heritage Distribution during 2022.

For the twelve months ended September 30, 2022, and on a pro forma basis including acquisitions made by Heritage Distribution during 2022, Heritage Distribution had a turnover of USD 636 million (SEK 6,492 million) with an adjusted EBITDA of USD 95 million (SEK 970 million) and an adjusted EBITDA margin of 15%. Heritage Distribution's turnover and adjusted EBITDA consequently corresponds to 31% and 39% of Beijer Ref's sales and EBITDA, respectively, during that period. The acquisition is expected to have a positive effect on Beijer Ref's EPS pre synergies immediately after closing.

Transaction-related costs, a combination of acquisition costs of approximately SEK 250 million, bridge financing (incl. interest) of approximately SEK 210 million, underwriting and issue costs of approximately SEK 240 million, a total of approximately SEK 700 million whereof approximately SEK 250 million will be recognized in Q4 2022 and the remaining in the first half of 2023.

Conditions for the acquisition

The transaction is conditional upon regulatory approvals and customary closing conditions and is expected to close early in Q1 2023.

Advisors

Beijer Ref has engaged Seale & Associates as financial advisor and Hogan Lovells as legal advisor in relation to the acquisition. Citi, Handelsbanken and Nordea act as financial advisors and underwriters of the rights issue. Mannheimer Swartling acts as legal advisor to Beijer Ref in relation to the debt financing and rights issue, Davis Polk & Wardwell acts as U.S. legal advisor to Beijer Ref in relation to the rights issue and White & Case acts as legal advisor to Citi, Handelsbanken and Nordea in relation to the rights issue. Gryphon Investors has engaged Baird as financial advisor and Kirkland & Ellis as legal advisor.

Telephone conference

Beijer Ref invites investors, analysts and the media to attend a telephone conference 15 December, 2022, at 10.00 a.m. (CET) where CEO Christopher Norbye and CFO Ulf Berghult will describe the acquisition and answer questions related to this press release.

Webcast: <http://ir.financialhearings.com/pressconference-december-2022>

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BEIJER REF AB is a technology-oriented trading Group which, through added-value products, offers its customers competitive solutions within refrigeration and climate control. Beijer Ref is one of the largest refrigeration wholesalers in the world, and is represented in 42 countries in Europe, Africa, Asia and Oceania.

www.beijerref.com

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Citi, Handelsbanken and Nordea are acting for Beijer Ref in connection with the transaction and no one else and will not be responsible to anyone other than Beijer Ref for providing the protections afforded to its clients nor for giving advice in relation to the transaction or any other matter referred to herein.

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¹ Represents purchase price for 100% of the shares. Beijer Ref will acquire approximately 98% and management will continue to own the remaining approximately 2%.

² USD/SEK FX rate of 10.2074 as of 14 December 2022.

³ Earnings before interest, taxes, depreciation and amortisation of tangible and intangible fixed assets adjusted for items affecting comparability.

⁴ See <http://www.beijerref.com/alternative-performance-measures/> for definitions and other information on Beijer Ref's alternative performance measures.

⁵ Excluding treasury shares. As of 14 December 2022, Beijer Ref held 1,958,500 treasury shares of class B, which do not entitle to participation in the rights issue.

⁶ Heritage Distribution applies U.S. GAAP.

⁷ Calculated as the compound annual organic growth rate of the combined turnover for Wittichen Supply, Benoist Brothers and Ed's Supply.

⁸ Excluding treasury shares. As of 14 December 2022, Beijer Ref held 1,958,500 treasury shares of class B, which do not entitle to participation in the extraordinary general meeting.

⁹ Excluding treasury shares. As of 14 December 2022, Beijer Ref held 1,958,500 treasury shares of class B, which do not entitle to participation in the extraordinary general meeting.

¹⁰ Represents purchase price for 100% of the shares. Beijer Ref will acquire approximately 98% and management will continue to own the remaining approximately 2%.

This disclosure contains information that Beijer Ref AB is obliged to make public pursuant to the EU Market Abuse Regulation (EU nr 596/2014). The information was submitted for publication, through the agency of the contact person, on 15-12-2022 08:45 CET.