

Alfen acquires Elkamo in Finland

A platform for expansion in the Nordics

2 July 2018



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Transaction highlights

Structure	Alfen International B.V. acquires 100% of Oy Elkamo Ab and its subsidiary Elsteel Oy (together referred to as “Elkamo”)
Company	Elkamo is active in Smart grid solutions with 2017 revenues of Eur 12.4m and an EBITDA margin of 7.4%
Consideration	Not disclosed
Funding	Via extended credit facilities
Timing	Signing and closing at 1 July 2018
Branding	Elkamo will be rebranded ‘Alfen Elkamo’
Other	Existing Elkamo management team will remain in place



Strategic rationale



Elkamo has a strong stand-alone business

Long history in electricity distribution systems

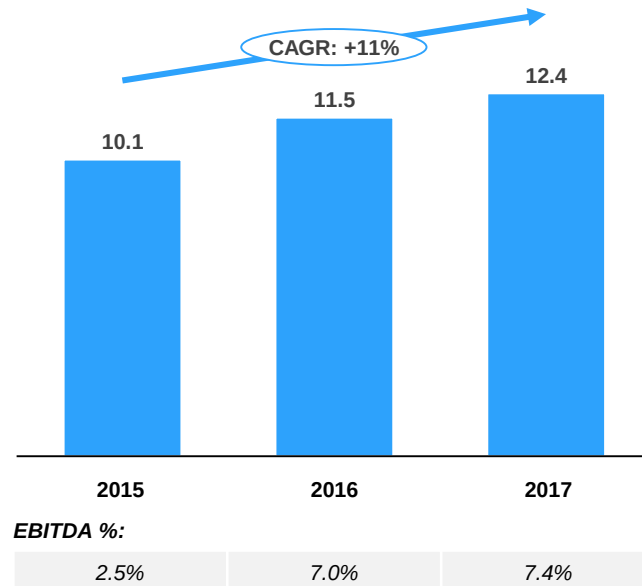
- Elkamo was founded in 1981 and is headquartered in Jacobstad (Pietarsaari), Finland
- Elkamo develops, manufactures and markets electricity distribution systems, including transformer substations, medium- and low-voltage switchboards and related systems
- Elkamo employs approximately 68 people
- Elkamo has an active role in the electricity distribution market and is part of various forums, e.g. the Smart Grid Working Group appointed by the Ministry of Economic Affairs

High quality and diverse customer base

Grid operators / utilities	Industrials
  	 
  	  

Double digit growth and increasing margin

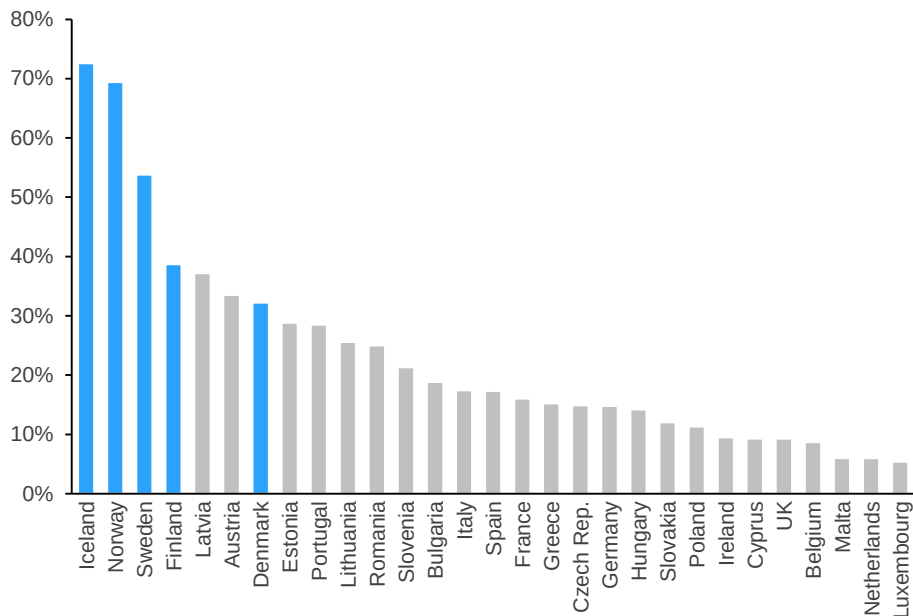
Revenues (Eur m) and EBITDA (%)



The high share of renewables in the Nordics provides an interesting opportunity for growth...

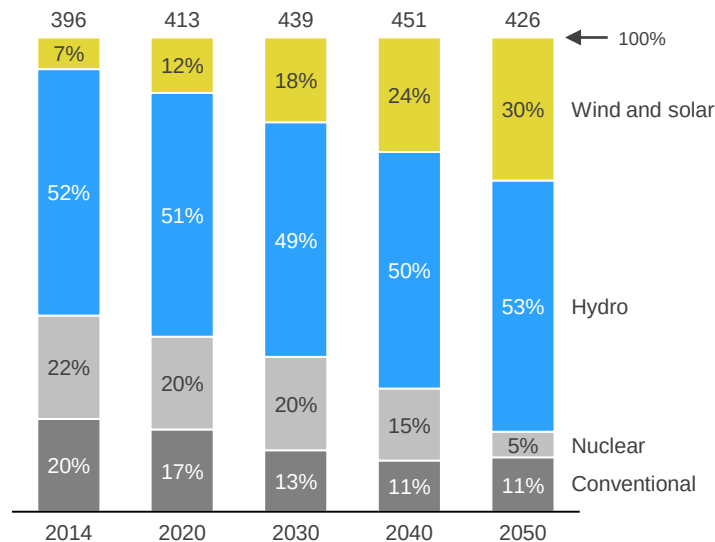
Share of renewable energy

(2016, % of gross final energy consumption)¹



Electricity generation capacity in the Nordics

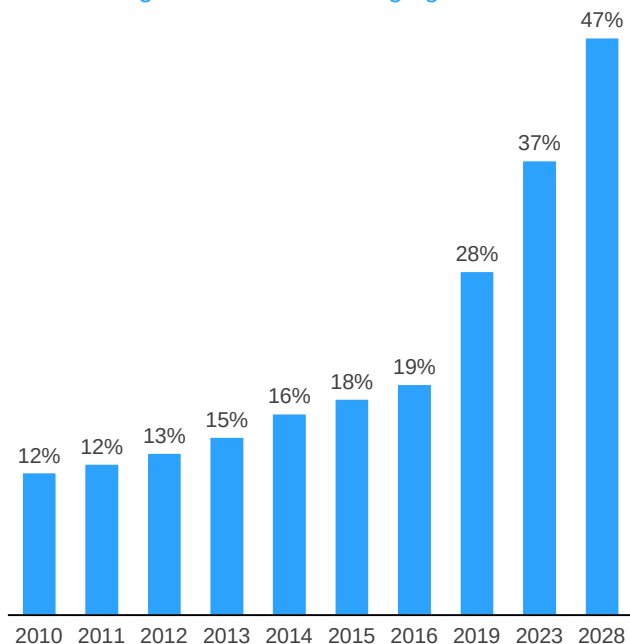
(GW, base case scenario)²



...which is further supported by favorable regulation and expansion plans

Grid upgrade program Finland

% of underground medium-voltage grids¹⁾



Three levers of stand-alone growth for Elkamo

Market growth on the back of grid investment programs

- Significant investment programs to rebuild large parts of the electricity distribution grids from overhead lines to underground cables in order to improve reliability of electricity supply
- In Finland, a total of over Eur 8 billion grid investments between 2013 and the end of the 2020s has been announced²⁾. In Sweden, the grid renewal program is following that of Finland
- These grid replacement programs drive the demand for new transformer substations

Market share growth

- More focused sales efforts to further increase market share with grid operators and industrials

Further geographical expansion in the Nordics

- Elkamo is operating in a bilingual (Finish and Swedish) region, and has already been delivering limited volumes to Sweden over the past years
- Further expansion to Sweden based on attracting dedicated local sales force, attending trade fairs and leveraging the Swedish network of the managing director

Elkamo offers Alfen an accelerated market entry in the Nordics, in line with our internationalization strategy



■ Existing Alfen sales organization
■ Installed base of Alfen products

Alfen's sales organization

- At YE 2017, Alfen's own sales organizations covered the Netherlands, Belgium, Germany and the United Kingdom. Alfen is currently in the process of adding own sales organizations in additional European countries
- In addition, Alfen has a network of resellers and distributors covering most European countries. In the Nordics, Alfen already sells its products through various resellers and utilities

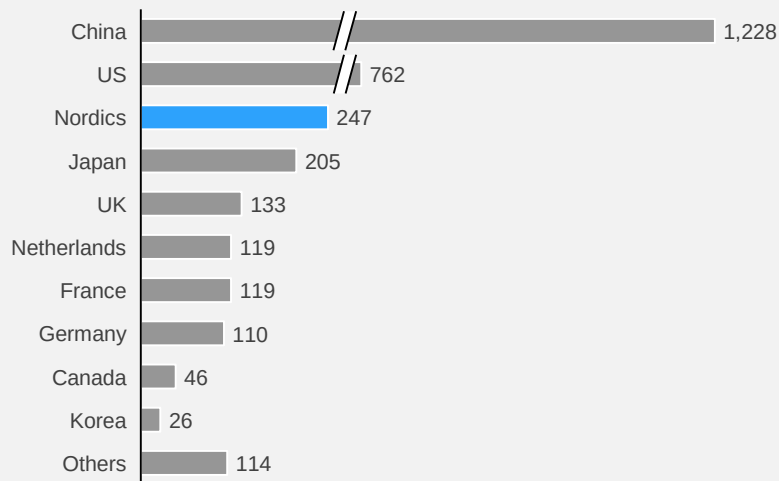
Acquisition of Elkamo

- Fits with short-term ambition to add sales organizations in selected priority areas in Europe
- Fits with medium-term objective to realize more than 50% of revenues outside the Netherlands

Platform for cross-selling: further access to the world's third largest market for EVs

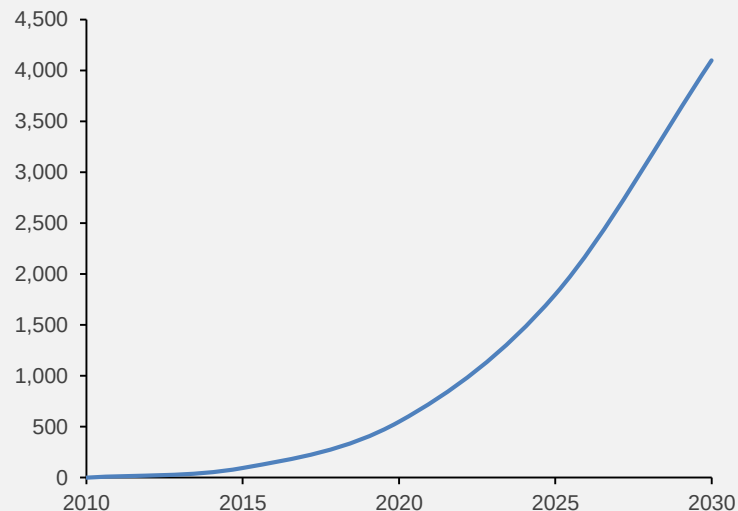
The Nordics are the world's third largest market for EVs...

Number of EVs in 2016 ('000)¹



...with exponential growth ahead

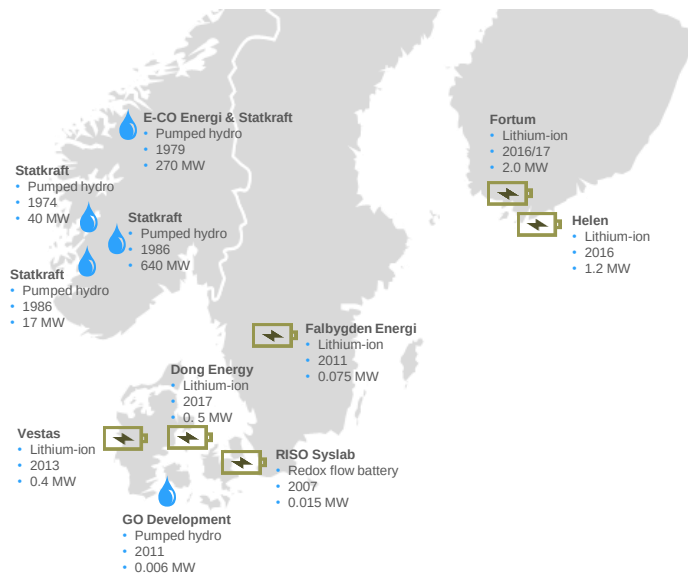
Number of EVs in the Nordics ('000)²



Platform for cross-selling: further potential to capture fast growing storage market throughout the Nordics

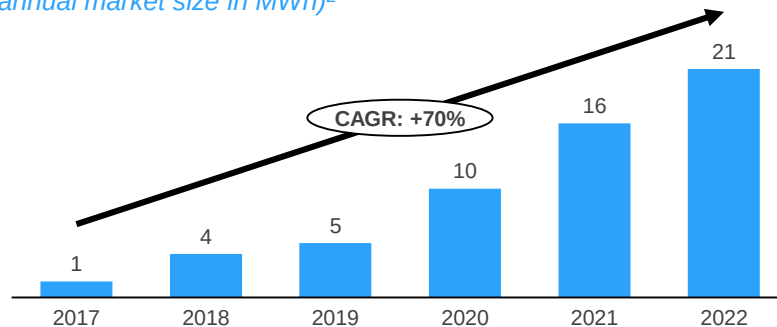
Because of its pumped-hydro legacy, the Nordics are still an early-stage market for battery energy storage,...

Existing storage facilities^{1,2}



...however, strong growth potential exists

Outlook front-of-meter battery energy storage in the Nordics (annual market size in MWh)²



Key drivers for battery storage growth in the Nordics

Renewables	EVs	Island use	Datacenters
Increasing penetration of intermittent wind and solar energy leading to fluctuating power supply	World's highest share of EVs (10.6% in 2017) ³ leading to concentrated peak power demand	Possibility to electrify remote areas and islands with renewable energy and battery energy storage	Nordics attractive region for datacenters, requiring reliable power quality



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