

Bond Investor Q&A – TMS connected! acquisition

Why is Transcom acquiring TMS connected!?

The acquisition of TMS connected! will increase Transcom's footprint in the strategically important German outsourcing market, currently at ca 3bn Euro and growing by ca 5% annually.

By adding specialist knowledge in the utility vertical, Transcom will create a center of excellence that can be leveraged within the entire group, and broaden the vertical exposure to one of the strongest industry verticals in Germany.

It will provide an opportunity for both companies to fully capture growth opportunities with current and future clients, and strengthen TMS connected's service portfolio with Transcom's digital value propositions.

Which is the acquiring company?

Transcom TopCo AB and its subsidiary Kommstart Euro 9 AB (under change of name to Transcom DACH Holding AB), incorporated as a sister company to Transcom Holding AB outside the restricted group of Transcom Holding AB's bond financing.

Why is the acquisition made outside the restricted group?

The intention is that the restricted group will acquire TMS connected! as soon as it is possible to fund such acquisition by way of a tap issue under the Senior Secured Notes. Since the leverage of the Transcom Holding group currently is above the threshold for additional debt incurrence via a tap issue, a separate financing package has been arranged outside of the restricted group with the purpose to serve as a bridge until Transcom Holding AB can incur additional debt under the Senior Secured Notes and thereby acquire TMS connected! Further notice will be given when the tap issue and the acquisition is made.

Further, there is no need to integrate TMS connected! as it is a well-established business with a strong brand within the utility vertical. Other than the change in ownership and adjustment in the reporting structure, there will be no other changes to TMS connected! save for increased cooperation with the existing Transcom group.

What are the key financials of TMS connected!?

In 2017, TMS connected! had revenues of approximately Euro 16m, and an adjusted EBITDA of approximately Euro 2.6m.

How will you assure that there is no leakage between TMS connected! and the restricted group?

When cross-selling between TMS connected and Transcom occurs, sub-supplier agreements will be used between the companies, at market terms and at arms' length. On the contrary, this acquisition will be to the benefit of the Transcom operations within the restricted group as it will strengthen the combined offering and thereby open up for new business opportunities.