

Duroc Initiates Strategic Portfolio Rebalancing - Acquires Broddson AB

Duroc has started a strategic rebalancing of its portfolio with a focus on engineering and industrial trading companies. The company has acquired all shares in Broddson AB, a road maintenance company with an annual turnover of approximately SEK 150 million and EBIT of SEK 15 million.

Portfolio Focus

The board of Duroc has decided to strategically refocus its business portfolio to emphasize within engineering and industrial trading sectors, aiming for long-term growth and enhanced shareholder returns. As part of this strategy, Duroc plans to partially or fully divest its portfolio companies IFG and Drake in the medium to long term. These companies are deemed misaligned with the group's long-term growth and financial structure. The divestment process will release capital and resources for areas with higher growth potential, ultimately increasing value for Duroc's shareholders.

Acquisition of Broddson

In alignment with this strategic direction, Duroc has agreed to acquire Broddson AB, a leading player in street-sweeping machines and road maintenance based in Motala. Broddson employs around 24 people. The company develops and manufactures its own products, and represents several renowned brands. The company predominantly operates in the Nordic region but also exports globally.

Broddson's 2024 forecasted turnover is approximately SEK 150 million, with an EBIT of SEK 15 million and equity of SEK 36 million at the time of acquisition. The purchase price includes an initial preliminary payment of SEK 45 million and a performance-based earn-out payable three years after the transaction. The acquisition is financed through internal resources and is expected to close in January 2025.

Duroc's CEO John Häger commented, *"We are pleased to welcome Broddson to the Duroc family. This acquisition aligns with our strategy to grow within Engineering and Industrial Trading sectors and to create added value for our shareholders. Broddson's market position and established customer relationships complement our current portfolio. Duroc's strong finances and international network are expected to accelerate the company's development."*

Refocusing for Profitability

Duroc's structure comprises two primary segments: Engineering and Industrial Trading and Polymers. While the Engineering and Industrial Trading segment has demonstrated strong performance and significant returns, the Polymer segment—dominated by IFG and Drake, which accounts for 55% of the group's turnover and capital.—has faced market challenges,

underperforming expectations. These challenges, combined with the cyclical nature and uneven performance of the fiber companies, have overshadowed the positive development and strong results of the group's within Engineering and Industrial Trading operations.

The other polymer companies, Plastibert and Cresco, have also faced challenging market conditions over the past two years. However, Duroc sees significant potential value in these companies, both of which are beginning to experience a market recovery and, under normal circumstances, are expected to deliver strong results.

Below is a summary of the historical development of Duroc's business units, highlighting the successful efforts to strengthen the within engineering and engineering and industrial trading companies.

Turnover (MSEK)	19/20	20/21	21/22	22/23	23/24
Fiber	1 625,5	1 787,7	2 131,2	1 825,3	1 711,6
Other Polymer	430,9	460,7	445,1	455,8	455,5
Engineering and Industrial Trade	707,7	645,6	861,2	971,1	963,3
Total	2 764,1	2 894,1	3 437,5	3 252,2	3 130,4

EBIT*	19/20	20/21	21/22	22/23	23/24
Fiber	27,3	31,5	71,1 -	46,9 -	20,1
Other Polymer	32,2	50,3	27,8 -	16,1 -	14,2
Engineering and Industrial Trade	50,0	46,2	85,4	85,1	82,2
Total	109,4	128,1	184,3	22,2	47,9

EBIT-margin	19/20	20/21	21/22	22/23	23/24
Fiber	2%	2%	3%	-3%	-1%
Other Polymer	7%	11%	6%	-4%	-3%
Engineering and Industrial Trade	7%	7%	10%	9%	9%
Total	4%	4%	5%	1%	2%

Capital Employed (CE)	19/20	20/21	21/22	22/23	23/24
Fiber	554,7	621,9	828,3	708,2	635,9
Other Polymer	232,6	227,2	288,2	289,3	254,8
Engineering and Industrial Trade	84,0	92,7	82,7	130,3	179,5
Total	871,4	941,8	1 199,3	1 127,8	1 070,3

Return on CE	19/20	20/21	21/22	22/23	23/24
Fiber	5%	5%	9%	-7%	-3%
Other Polymer	14%	22%	10%	-6%	-6%
Engineering and Industrial Trade	59%	50%	103%	65%	46%
Total	13%	14%	15%	2%	4%

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Capital Release and Divestment

By deliberately maintaining a strong financial position, Duroc has been able to "weather" the challenges in the polymer companies while creating room to develop the profitable segments within the eand Engineering and Industrial Trading sectors. Duroc now intends to focus its portfolio by separating Drake and IFG from the group through divestment or by creating and later realizing value through participation in industry consolidation.

The table below shows the Duroc Group pro forma, including the acquisition of Broddson, after the divestment of the group's fiber units, IFG and Drake. The pro forma does not account for the potential capital release from the fiber units, which is intended for further acquisitions in prioritized areas.

Turnover (MSEK)

Other Polymer	455,5
Engineering and Industrial Trade	1 113,3
Total	1 568,8

EBIT

Other Polymer	18,2
Engineering and Industrial Trade	97,2
Total	115,4

EBIT-margin

Other Polymer	4%
Engineering and Industrial Trade	9%
Total	7%

Capital employed (CE)

Other Polymer	258,4
Engineering and Industrial Trade	240,8
Total	499,2

Return on CE

Other Polymer	7%
Engineering and Industrial Trade	40%
Total	23%

Strategic Responsibility and Sustainable Capital Utilization

The divestment of the fiber operations will be carried out responsibly, with the goal of maximizing value for shareholders. The equity in the units concerned amounts to approximately SEK 544 million. Duroc will continue to manage the strategic work with these units until they find new owners or ownership structures.

As part of the previously announced restructuring of the group's financing, IFG has exited the shared credit facility and secured local financing without guarantees from Duroc. Drake has no financial debt, a net cash position, and the potential to release additional capital through its owned property.

Future Prospects

CEO John Häger emphasized, "This strategic rebalancing reinforces Duroc's position in within Engineering and Industrial trading sectors. It marks a clear step toward creating long-term value and improving profitability and stability."

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The information in this press release is such that Duroc AB is obliged to publish in accordance with EU's Market Abuse Regulation. The information herein was provided for publication at 08.20 (CET), 20th of December 2024 by the contact person named above

²Proforma: Duroc Excl. IFRS 16- and group functions as of 240630 incl. the profits from Broddsons R12 240831. Other Polymer companies has an EBIT -margin of 4 percent in the analysis, which is the average EBIT-margin between FY 19/20 – 23/24 which Duroc considers to be a cautious assessment of what the companies can perform under normal market conditions.