

PRESS RELEASE

Lagercrantz prepares for continued expansion

Lagercrantz Group's Board of Directors has today decided to approve the Management's proposal for continued expansion. This means that the strategic direction and the financial goals are clarified, a reorganisation of the divisions and an increased focus on sustainability.

Lagercrantz's business concept has been successful over many years and represents a strong platform for future expansion. During the past 10 years, the share has generated a return of 30 percent per year including dividends. The expansion has been financed by cash flows from the operations and has been characterised by acquisitions with an increased proportion of niche product companies, which has resulted in an ever-higher margin content and better conditions for organic growth, particularly for exports.

With the aim of preparing the Group for continued growth and a transition from a successful medium-sized company into a well-established larger Group, a programme has been developed under the name "**Lagercrantz towards one billion**". The vision is to build a strong B2B Tech Group with leading businesses in different niches and, by achieving the financial goals in five years, build a Group with SEK 1 billion in profit.

The vision is to be a **sustainable provider of value-creating technology based on market-leading positions in expansive niches**. The ambitious financial goals for earnings growth (EBT) are in excess of 15 percent annually over a business cycle, with a return on equity of not less than 25 percent and a policy with a dividend payout ratio of 30-50 percent of the net profit. The ambition is that at least one third of the growth shall be generated organically and the remainder through acquisitions of approximately 5-8 companies per year. The acquisitions will predominantly focus on niche product companies in northern Europe.

The vision and goals shall be achieved through a reorganisation where the businesses in the Group, starting from the 2021/22 financial year, are being divided into **five divisions** (compared to today's four). The focus on attractive growth segments will hereby be clarified, which will create dynamism and clarity internally for employees, to the stock market and the acquisition market. In Appendix 1, the five divisions are described in brief.

Vision and goals will also be achieved by the Group continues to develop its **capacity within M&A**. The acquisition market is still estimated to be favourable and there are many interesting companies to add to the Group's portfolio. The Group therefore intends to continue to build culture and competencies around M&A, and to further develop its network and resources internationally in line with the Group's expansion. Prioritised markets are the Nordic countries, Germany, Poland, Benelux and the UK.

Finally, **an increased focus on sustainability represents a cornerstone in the future Lagercrantz**. This will create business profit in the form of growth opportunities and attractiveness in the stock market, the acquisition market and among existing and future employees. Over the past years, the Group has advanced its positions in the area and the work is now being concretized through the goals in Appendix 2. The starting point is the creation of business and societal benefits and how the Group acts sustainably in all stages, including in its investments.

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ABOUT LAGERCRANTZ GROUP

Lagercrantz Group is a technology group that offers world-leading, value-creating technology, using either proprietary products or products from leading suppliers. The Group consists of almost 60 companies, where each company is focused on a specific sub-market – a niche. Lagercrantz Group is active in nine countries in Northern Europe and in China, India and in the USA. The Group has approximately 1,500 employees and annual revenue of approximately MSEK 4,000. The Company is listed on Nasdaq Stockholm since 2001. Read more on www.lagercrantz.com

Lagercrantz's operations are being divided into the following five divisions:

Electrify Division

The shift towards a CO₂-neutral society is expected to require major investments and development of the electricity infrastructure. This provides good potential for a growth rate of 5-15 percent for Lagercrantz companies within this area. Approximately 75 percent of the former Mechatronics division consist of businesses with this focus and they constitute the base for the Electrify division. Examples are Elpress, Elkapsling, Norwesco and Elfac. In recent years, KPRO and EFC have received more inquiries from, for instance, wind power producers, network developers, train and battery manufacturers. The division's latest acquisitions VP Metall in Norway and Oy Esari AB in Finland, are strengthening the position further. The ambition is to, through organic growth and additional acquisitions, strengthen the position in this growing area, which is of importance for the society. The acquisitions should complement the division's focus and strengthen the potential for exports, with a main emphasis on the Nordic countries and Northern Europe. Supplementary acquisitions in other parts of the world may also be of interest. The division currently has a business volume of approximately MSEK 1,300 with an operating margin of approximately 15 percent.

Control Division

The field of control and regulation technology is a structurally growing area, some of the reasons being the possibilities to measure, control and regulate equipment remotely due to better sensors and communication solutions. This contributes to reduced usage of resources and a more sustainable society. In the past 10 years, Lagercrantz has built a portfolio of nine niche companies within this area. Several of the companies are delivering strong growth, for example Radonova, active within radon measurement, and Precimeter with its proprietary products for molten metal level measurement and flow control. Through the new organisation, the division is strengthened with the Vanpee companies, which are concentrated on lighting control and the shift towards LED. The ambition is, through organic growth and acquisitions, to strengthen the position within the growing control and regulation technology area. The division currently has a business volume of approximately MSEK 600 with an operating margin of just about 15 percent.

TecSec Division

The technical security area is growing in line with societal evolvement towards more care for the welfare of people and society. Many areas have a "vision zero", which means that businesses are experiencing stricter rules and better follow-up routines in order to reduce accidents or other negative impacts on people and society. Lagercrantz currently has about ten companies, all of which are contributing to this development. These companies include security companies offering technical surveillance and entry control solutions, companies within sprinkler systems and fire protection, but also more niche businesses such as Frictape, which offers security solutions on helidecks. The assessment is that the need for technical security will continue to increase in the future. This implies growth opportunities for both existing and new companies within Lagercrantz. The division currently has a business volume of approximately MSEK 600 with an operating margin of almost 17 percent.

Niche Products Division

Lagercrantz has successfully developed the division Niche Products since its establishment in 2012. The focus is, and has always been, on acquiring, refining and finding the next level niche product companies. Lagercrantz has often been perceived as a good owner and for taking previously family-owned businesses to the next level. Growth has often come from investments in export markets but also from building structural capital and a strengthened position on the domestic market. The division currently consists of almost 15 businesses with business volume of nearly MSEK 1,000 and an operating margin of just under 20 percent.

International Division

Lagercrantz's business concept - the acquisition of niche companies - has been successful for many years with a geographical base in the Nordic countries. The assessment is that the concept is just as viable in other markets with similar preconditions and business culture. The division's base consists of businesses and management resources with international experience in Denmark and Sweden. It shall grow through acquisitions of product companies in new niches, primarily in Denmark, Norway, Germany, Poland, Benelux and the UK. The division shall also grow organically and through supplementary acquisitions to the division's already existing companies. The division currently consists of just over 10 companies in Denmark, Norway, Germany, Sweden, Poland and the UK. The division has a business volume of approximately MSEK 700 and an operating margin of approximately 12 percent.

Long-term goals for the sustainability work in Lagercrantz Group

Lagercrantz is establishing long-term sustainability goals, with the purpose to take advantage of business opportunities and create a sustainable profitable growth.

The starting point in Lagercrantz's sustainability work is the creation of business and societal benefits. This shall pervade all operations; from the evaluation of new businesses during acquisitions, during investments and development of existing businesses and in our conduct as a responsible owner.

The sustainability work in Lagercrantz's decentralised structure shall **primarily be carried out in each company**, where business opportunities are prioritised that create sustainable products and solutions for customers and markets. We regularly highlight examples of these business opportunities in our sustainability report and on our website. We also work to continually improve our own business operations. Ahead of the 2021/22 financial year, more than **50 local sustainability initiatives** have been identified and will be followed up at board level in our subsidiaries.

In addition, **three areas were clarified on a Group level**, where long-term goals for the Group as a whole have been defined.

- **Environmental sustainability.** Lagercrantz's goal is to reduce the Group's carbon footprint by striving to become climate neutral by 2030 at the latest. To achieve this, we are working to increase energy efficiency, increase the proportion of fossil-free energy and to reduce material consumption.
- **Social sustainability** means that Lagercrantz shall be a long-term and responsible employer for the Group's employees as well as in the relationships with their business partners. Lagercrantz safeguards employees' health, safety, workplace environment and skills development. We regularly measure and follow up these areas to ensure continual improvements. We are working for continually increasing gender equality and diversity within the Group, especially within senior positions.
- **Sound governance and economic sustainability.** At Lagercrantz, we have strong common values and a decentralised way of working. This means that we control by setting goals and preparing guidelines at a central level, but we give accountability and freedom to our employees to exercise their own businessmanship within this framework. All the businesses within the Group shall be of benefit to society and contribute to a sustainable development in accordance with the UN's global goals. Our focus is on sustainable, profitable growth and we have zero tolerance for unsatisfactory business ethics or other violations of our Code of Conduct. Compliance is followed up in each subsidiary's board as well as on Group and Board level.

We present and follow up our sustainability goals on a regular basis, via our website [lagercrantz/sustainability](https://www.lagercrantz.com/sustainability) as well as in our Sustainability reports [lagercrantz/sustainability-reports](https://www.lagercrantz.com/sustainability-reports).
