



GROUP

Scandinavian Brake Systems A/S
Kuopiovej 11
5700 Svendborg
Denmark

Tel. +45 63 21 15 15
Fax +45 63 21 15 95
sbs-group@sbs.dk
sbs-group.dk
CVR no. DK 32 77 42 10
LEI code 529900DY2V39LC8FJ309

NASDAQ Copenhagen A/S

17 November 2020

STOCK MARKET ANNOUNCEMENT NO. 07-2020

SBS Group enters into agreement to sell SBS Friction to Brembo

Scandinavian Brake Systems A/S has entered into an agreement to sell the division SBS Friction for DKK 300 million (enterprise value). The proceeds will be used to reduce the Group's interest-bearing debt. It is considered if the Group's remaining activity, SBS Automotive, should take part in industry consolidation.

Scandinavian Brake Systems A/S ("SBS Group") has entered into an agreement to divest the division SBS Friction to Italian Brembo Group SpA ("Brembo"), a leading global manufacturer of braking systems. Brembo acquires the company SBS Friction A/S with approximately 100 employees and SBS Group's headquarters and production facility in Svendborg, which mainly accommodate SBS Friction's activities.

The agreement is subject to approval at an extraordinary general meeting in SBS Group as well as usual closing conditions. The transaction is expected to be completed in Q1 2021. SBS Group's largest shareholder, Stiholt Holding A/S with approximately 56.5% of the share capital, has stated on beforehand that it intends to vote in favour of the sale at the extraordinary general meeting, which will be called as soon as possible.

"Brembo has long been a trustworthy partner that knows the value of SBS Friction's technological knowhow and its strong niche position", stated Peter Eriksen Jensen, Chairman of the Board of Directors, SBS Group. "We are pleased that SBS Friction will get a strong, long-term, industrial owner who will support the company's continued development. The transaction is a good solution for SBS Group, SBS Friction, the employees, and the city of Svendborg.

The key assignment for SBS Group after the sale is to position our other activity, SBS Automotive, well in relation to the market turbulence and review the opportunities to potentially participate in consolidation."

Financial impact of the divestment

The total sales price for SBS Friction and the property is DKK 300 million (enterprise value). The Board of Directors intends to use the proceeds to reduce the Group's interest-bearing debt, which stood at DKK 519 million at 30 June 2020. It remains a focus area for SBS Group to reduce the interest-bearing debt.

After costs, the divestment is expected to result in a profit of DKK 135-155 million, which SBS Group will recognise when Brembo assumes control of SBS Friction in Q1 2021. The effect on the result should be considered in the light of the Group's equity being negative by DKK -144 million at 30 June 2020 following large depreciations on the divested Notox assets in 2009 and 2015.

Based on the sales agreement, SBS Friction will be presented as 'discontinuing activity' in the income statement of the Group's annual report for 2020 and as 'assets held for sale' and 'liabilities concerning assets held for sale' in the balance sheet. SBS Group's previously communicated 2020 guidance is unchanged, except for the effect of the reclassification of SBS Friction.

Carnegie Investment Bank and Kromann Reumert advised SBS Group in connection with the sale of SBS Friction.

Strategic focus after the divestment

After the divestment, SBS Group will focus on SBS Automotive, which sources, completes, stocks, markets and distributes spare parts for cars and vans. SBS Automotive operates mainly in the free European aftermarket for spare parts, which is experiencing turbulence with increasing consolidation among customers and tough competition.

In 2018-2019, SBS Group conducted a strategic review to clarify how to best position SBS Automotive in the market ([company announcement no. 3/2019](#)). Since then, the consolidation among customers has continued, driven by global operators' acquisitions of distributors, and COVID-19 has further increased the pressure on smaller wholesalers and dealers in particular. As announced earlier, SBS Group's Board of Directors monitors developments on an ongoing basis and considers what opportunities would create the greatest value for the Group.

Chairman of the Board of Directors, Peter Eriksen Jensen, says: *"SBS Automotive is positioned to continue its development in very competitive markets based on a flexible business model, a comprehensive sourcing platform and a wide product range covering several price points and trademarks. Some suppliers now seem to increasingly acknowledge the necessity of collaboration, alliances, mergers, or other initiatives that will counterbalance the developments we are seeing among customers. We are therefore considering the opportunities this may entail for SBS Automotive."*

SBS Automotive's results and activities

In H1 2020, SBS Automotive was negatively impacted by a decline in demand in several markets due to COVID-19. Revenue declined by 19% to DKK 229 million, while operating profit (EBITDA recurring) came to DKK 14 million against DKK 23 million in H1 2019. In Q3 2020, demand increased again, whereas Q4 is expected to be impacted by new COVID-19 restrictions in several markets and continued tough price competition. SBS Automotive's results in H2 2020 are therefore expected to exceed results in H1 2020, while still being below the level realised last year.

SBS Automotive's product range includes wear parts, especially mechanical and hydraulic brake parts, steering controls, suspension, transmission, clutches, wheel bearings and engine mounts. The products are primarily sold in the free European aftermarket, and in Russia, Turkey, and the Middle East under the trademarks NK and Eurobrake or as private label. SBS Automotive supplies most customers from the distribution centre in Germany, which also handles packaging of brake shoes, while satellite centres in Denmark and France focus on local markets. Furthermore, logistics and packaging of brake discs and drums are operated out of Poland by an external partner.

The divested activities in SBS Friction

SBS Friction develops, manufactures, and sells brake parts and friction technology. The portfolio also includes trade products such as brake discs, shoes, and accessories as well as clutch parts. In the free aftermarket for two-wheeled vehicles, SBS Friction is market leader within brake pads in Europe. In the OEM market, SBS Friction services global manufacturers of vehicles, brake systems, wind turbines, among other things. All functions, including development and production, are centralised in Svendborg (Denmark).

SBS Friction's revenue declined by 11% in H1 2020 to DKK 74 million due to COVID-19, while the profit margin (EBITDA recurring) increased by 2.8% points to 27.3% on the back of efficiency initiatives and postponement of certain activities. In H2 2020, the company's results have so far exceeded the level realised in the record year of 2019.

Additional information:

Chairman of the Board of Directors Peter Eriksen Jensen, tel. +45 6321 1515 (via executive secretary Jytte Knudsen)
CEO Mads Bonde, tel. +45 6321 1515, e-mail: mb@sbs.dk