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Oggetto : Unieuro strengthens services area with acquisition of Covercare, the most significant transaction in its history

Testo del comunicato

Vedi allegato.

UNIEURO STRENGTHENS SERVICES AREA WITH ACQUISITION OF COVERCARE, THE MOST SIGNIFICANT TRANSACTION IN ITS HISTORY

A CRUCIAL STEP IN EXECUTING THE "BEYOND OMNI-JOURNEY" STRATEGIC PLAN

- Unieuro signs contract to acquire 100% of Covercare S.p.A.
- The acquisition fits with Unieuro's "Beyond Omni-Journey" Plan, and in particular sharply accelerates the execution of the growth strategy in the services area, and is in line with its M&A guidelines.
- The Transaction extends Unieuro's control over the market segments of the value chain which present higher profitability, growth and strong synergies with its core business, broadening the scope of services offered to end-consumers, also with a view to sustainability.
- The Covercare Group is a leading player in Italy in the repair service market of mobile phones, other portable devices, and household appliances. It also operates on the air conditioner and boiler installation and home assistance services markets. Covercare offers its services throughout the country to leaders in the Retail, Telco and Multi-Utility sectors, including Unieuro.
- Covercare S.p.A. has delivered over 30% revenue¹ growth over the last five years, thanks to business development with its long-standing customers and the gradual extension of its commercial offer into new business areas.
- The Covercare Group reported revenues² of Euro 58.7 million, EBITDA² of Euro 10.8 million (EBITDA margin² of 18.4%) and a net profit² of Euro 6.0 million in 2022.
- The purchase price for 100% of the share capital is set at Euro 60 million, in addition to the net positive (cash) financial position at closing and an earn-out, up to Euro 10 million, to be settled on the achievement of a specific EBITDA target in FY 2025/26. The implied EV/Adj 2022 EBITDA multiple of the transaction is 5.6x (6.4x including the earn-out), excluding potential synergies.
- Significant value creation is expected over the medium term, partly as a result of business synergies.
- Further Covercare's growth will benefit from the support of the current executive directors, in managerial continuity, both on the captive business front and externally.
- The Transaction is, in any event, subject to the obtaining (by and not beyond April 30, 2024) of the necessary authorisations pursuant to and in accordance with the applicable Antitrust regulations.

Unieuro S.p.A.

Registered and administrative offices Palazzo Hercolani
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Forlì, October 17, 2023 – The Board of Directors of Unieuro S.p.A. (Euronext STAR Milan: UNIR) (“Unieuro” and the “Company”), Italy’s leading distributor of consumer electronics and home appliances, at a meeting chaired by Stefano Meloni, resolved to execute a **share purchase agreement to acquire the entire share capital of Covercare S.p.A.** (“Covercare” and jointly with its subsidiaries the “Covercare Group”). Hereafter simply, the “Transaction.”

Giancarlo Nicosanti Monterastelli, Chief Executive Officer of Unieuro, stated:

"We are delighted to announce the acquisition of the Covercare Group, which represents the most strategically and financially significant transaction in our history and marks the resumption of Unieuro's acquisition-led growth and strengthening. This is a transformative transaction for us and perfectly supports our goal of expanding in the "Beyond Trade" area, and particularly in the services area, which is crucial to improve the customer journey and to increase the Group's overall profitability. We expect that the high complementary nature of the two business models can generate interesting business synergies over the medium term with the objective of strengthening both entities. Over the coming years, with the support of the current executive directors, we will therefore focus on further developing Covercare in absolute managerial continuity, both on the captive business front and externally, equally important in light of the size and growth prospects of the target market segments. We remain closely focused on executing our Strategic Plan and on our commitment to create value for the benefit of all our stakeholders".

Riccardo Bonini, Chairperson of the Board of Directors, and Andrea Pessina, Chief Executive Officer of Covercare, stated:

"Thanks to a unique and highly flexible business model, Covercare has embarked on a growth trajectory which, over the years, has led us to become a leading player on our core markets and to comprehensively provide services through the country. Joining the Unieuro Group is a source of great pride for us, as well as a great opportunity to further develop Covercare's proven ability to tap into all opportunities for growth in all channels in which it operates and to accelerate the development of joint projects, while also leveraging the long-standing business relationships between the two companies and the established personal connections".

Founded in 2011, Covercare is a leader in Italy in **repair service market of mobile phones, other portable devices and large home appliances**. Over the years, thanks to its significant capacity for innovation and expertise, it has successfully extended operations into **air conditioning installation services and boiler installation and maintenance**, while most recently entering the **photovoltaic system installation sector**. In addition, Covercare has developed **Home Assistance services**, which complement the offer to the home segment end customer. Finally, the Covercare Group markets **mobile electronic products, IT and accessories** to professional customers, mainly overseas, on a case-by-case basis.

Covercare offers its services throughout the country to leaders in the Retail, Telco and Multi-Utility sectors. Covercare has **over 140 employees**³, between its headquarters, and the production and logistics units, and has a solid organisational and managerial structure with proven expertise and experience. All higher added value technical activities are carried out at the hub located in Legnano. Specifically, **configuration, customisation and repair of smartphones and other portable devices** of all brands are carried out **on site by a team of**

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30 trained technicians. In addition, Covercare makes use of an **extensive network of tradespeople and technical partners for service work on home appliances, in addition to air conditioning and boiler installations and plumbing, electrical works** etc., provided by the Home Assistance services.

These activities are carried out by Covercare and the wholly-owned subsidiaries Covercare Services S.r.l., Wifix S.r.l. and Comfort Home Solutions S.r.l., for whom a corporate restructuring plan has been drawn up involving their merger into the parent company.

Covercare reports **exponential revenue growth over the last five years, with a CAGR of approx. 31%**, offering value-added services to the customer thanks to its unique assets, such as the integrated repair laboratory, the technology support platform and the extensive network of technicians across the country. Covercare has successfully grown business with existing customers and, at the same time, diversified into other business areas, also benefiting from the tax incentives for building heritage rehabilitation and energy efficiency. Covercare operates in **growing markets with a total estimated value of approx. Euro 22 billion⁴ in Italy in 2022**. Over the coming years, all segments are expected to grow further; in particular, the extended warranty market for consumer electronics products shall benefit from greater product penetration, while the repairs market shall be supported by an increasing focus on sustainability and regulatory developments.

The acquisition **fits perfectly with Unieuro's "Beyond Omni-Journey" Plan**, and in particular sharply accelerates the execution of the "Beyond Trade" growth strategy in terms of services, while is also in line with its **M&A guidelines**, particularly scope acquisitions.

The Transaction **extends Unieuro's control over the value chain of the higher profitability, with significant growth potential and more synergetic with its core business market segments**. Unieuro will therefore be able to strengthen its market leadership through **an even more comprehensive and integrated offer of products and services**, accompanying customers before, during and after purchase. At the same time, Unieuro can consolidate its sustainability profile, **thanks to the extension of the product life cycle and the benefits of installing more energy-efficient devices**.

Through this Transaction, significant value creation is expected for Unieuro over the medium term, partly as a result of the expected generation of **business synergies**, including - but not limited to - the marketing of new services and products to Unieuro's customers.

Manner and details of the Transaction

The **purchase price is set at Euro 60 million**, in addition to the net positive (cash) position on closing. Furthermore, the settlement of an amount of **up to Euro 10 million as earn-out** is also stipulated, at June 30, 2026, subject to the achievement of a specific EBITDA target in FY 2025/26.

The implied EV/Adj 2022 EBITDA multiple of the transaction, on a stand-alone basis, is 5.6x (or 6.4x including the total earn-out).

The agreement stipulates the payment by Unieuro (i) as downpayment upon signing of the contract Euro 4.5 million, (ii) Euro 42.1 million on closing, (iii) Euro 10.0 million by October 31,

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2024, (iv) a further Euro 3.4 million according to the due dates for certain declarations of guarantee.

Unieuro intends to fund the Transaction through a mix of available cash and term bank loans, so as to optimise the financial structure to take advantage of any further **acquisition-led growth transaction opportunities** and ensure an adequate level of operational flexibility.

The Transaction is subject to the obtaining of the necessary authorisations pursuant to and in accordance with the applicable Antitrust regulation and **shall take place by April 30, 2024**.

The executive directors will retain leading roles in the management and development of Covercare, partly so as to facilitate a rapid integration into Unieuro and ensure further business development.

Key Financial Highlights

The Covercare Group in 2022 reported revenues of Euro 58.7 million, EBITDA of Euro 10.8 million (EBITDA margin of 18.4%) and a net profit of Euro 6.0 million, with a positive net financial position.

The Company shall provide an updated guidance on November 13 at the approval of the Half-Year Report to August 31, 2023 in relation to the expected timing of the Transaction's completion and the consolidation of Covercare into the Unieuro Group.

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Unieuro was assisted by Equita SIM as financial advisor; ADVANT Nctm as legal advisor; KPMG for accounting due diligence; and PWC for tax due diligence.

The Covercare Group was assisted by Ferriani Partners, accountants and lawyers, as tax advisor, the general counsel, lawyer Francesco Santarcangelo, and LCA law firm as legal advisor.

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OTHER BOARD OF DIRECTORS' MOTIONS

The Board of Directors of Unieuro S.p.A. has resolved to initiate the procedure for the liquidation of its wholly-owned small-sized subsidiary Monclick S.r.l. (2.6% of total consolidated revenue), engaged in the sale of IT, electronics, telephony and home appliance products online in Italy through the website www.monclick.it. This decision is part of the Group's initiatives to rationalise its corporate structure. In particular, Monclick S.r.l. has suffered a worsening of its operating, equity and financial situation in recent years as a result of the performance of its target markets, exacerbated by its digital pure player business model.

VIDEO CONFERENCE FOR ANALYSTS/INVESTORS AND THE FINANCIAL PRESS

The acquisition of Covercare will be presented to analysts/investors and financial press at a video conference this afternoon October 17, 2023 at 4PM CEST.

The video conference will be attended by the Company's top managers.

To attend the conference, please register at the following link:

<https://lite.owncast.live/unieuro/webcast17>

It will also be possible to download the presentation supporting the video conference by going to the Company's website www.unieurospa.com.

This press release contains forward-looking elements of Unieuro's future events and results, which are based on current expectations, estimates and projections on Unieuro's sector and on current management opinions. These elements by nature contain an element of risk and uncertainty in that they depend on future events. The actual results may even diverge significantly from those announced, due to a range of factors, including: global economic conditions, competitive impacts and political, economic and regulatory developments in Italy.

Unieuro S.p.A.

Unieuro is Italy's leading distributor of consumer electronics and household appliances, thanks to an omnichannel approach which integrates direct stores (approx. 280), affiliated sales points (approx. 260) and the unieuro.it digital platform, in addition to the pure digital player Monclick. The company is headquartered in Forlì and has a central logistics platform in Piacenza and approx. 5,700 employees. Listed on the Euronext STAR Milan since 2017, Unieuro reports revenues of Euro 2.9 billion for the fiscal year ending February 28, 2023.

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¹ Calculated on management data.

² Data of Covercare Group, under acquisition, reclassified pro forma during the due diligence phase, in accordance with IAS/IFRS international accounting standards

³ Figure as of May 31, 2023.

⁴ Source: Unieuro estimates.

Fine Comunicato n.1944-35

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