

Inside information: Tokmanni to acquire the Swedish discount retail chain Dollarstore to create a Nordic leader in the variety discount retail market

Tokmanni has today entered into an agreement with the owner of one of the leading Swedish discount retail chains Ahlberg-Dollarstore AB and Ahlberg Dollarstore ApS to acquire 100 per cent of the shares in Storsjöbygdens Kapitalförvaltning AB, the holding company of Ahlberg-Dollarstore AB and Ahlberg Dollarstore ApS (together “Dollarstore” or the “Company”). The purchase price amounts to approximately EUR 170.4 million¹ and is paid with cash. The illustrative IFRS adjusted enterprise value of the transaction amounts to EUR 344.9 million². Ownership of the Company will be transferred to Tokmanni on the expected closing date of 1 August 2023, subject to customary closing conditions but no regulatory approvals.

“I’m extremely delighted that Tokmanni has this exceptional opportunity to build one of the leading Nordic discount retail chains together with Dollarstore. Tokmanni and Dollarstore complement each other in the best possible way. We both share same values, positive people culture, strong price image and well aligned product categories. By combining our strengths and expertise, we are able to serve our customers even better by offering them our unbeatable prices and an exciting product assortment. Dollarstore and its employees will become a very important part of the new Tokmanni Group and I am convinced that together we will thrive even beyond what we have done before. I warmly welcome Dollarstore’s talented employees to our new growth journey. Together we are able to execute our growth strategy to the next level,” says Mika Rautiainen, President and CEO of Tokmanni.

“Consumers want the best prices and a wide product assortment combined with a unique and enjoyable customer experience. Together with Tokmanni, we are well equipped to serve our customers even better than before. We look forward to working together with the Tokmanni team and are delighted to have found a partner with the same company culture and targets. Together we will form a leading Nordic discount retailer with potential to increase our geographical footprint in the Nordics,” says Anders Kind, CEO of Dollarstore.

Compelling strategic rationale

Jointly, Tokmanni and Dollarstore will form one of the leading variety discount retailers in the Nordic markets³.

Dollarstore is one of the largest discount retailers in Sweden, operating through 130 stores across Sweden and a central warehouse located in Örebro. The Company also has two stores in Denmark, following recent expansion in 2022 under the brand name Big Dollar.

¹ The purchase price will be paid in SEK and amounts to SEK 2,028.0 million, and has in this release been converted to EUR based on EUR/SEK of 11.9047 as of 6 July 2023, and is therefore subject to change based on currency fluctuations and hedging effects

² Converted to EUR based on EUR/SEK of 11.9047 as of 6 July 2023 and based on the purchase price as well as illustrative, unaudited IFRS adjusted net interest bearing debt and lease liabilities of EUR 183.1 million as of 31 December 2022

³ The Nordic markets consist of several national discount retail markets, and Tokmanni and Dollarstore are one of the leading actors in their respective national markets and currently do not have any revenue deriving from the same geographical market

With the acquisition of Dollarstore, Tokmanni will expand its operations beyond Finland, which is in line with Tokmanni's strategy and a natural next step to build a solid platform for further growth.

Through the combination, Tokmanni and Dollarstore will be able to better serve their customers through an improved and optimised product offering, lower prices and wider private label product assortment.

Dollarstore and Tokmanni will as a combined entity gain a strong position in the Nordic discount retail markets. The companies will benefit from scale in purchasing and distribution.

Tokmanni will provide Dollarstore with support and strong capabilities to accelerate current growth plans. Dollarstore will continue its operations in Sweden and Denmark under existing brand names. Dollarstore will continue under the management of CEO Anders Kind and members of the Dollarstore management team.

Key transaction details

- Tokmanni has reached an agreement to acquire Dollarstore for approximately EUR 170.4 million⁴.
- Transaction multiples of 6.9x EV/EBITDA 2022 and 21.7x EV/EBIT 2022 on a stand-alone basis⁵.
- Transaction multiples of 5.3x EV/EBITDA 2022 and 11.2x EV/EBIT 2022 including full net impact of estimated run-rate synergies⁶.
- The transaction will be financed with bank debt and is estimated to be EPS enhancing in 2023 (excluding transaction related one-time costs).
- The transaction is expected to close on 1 August 2023, subject to customary closing conditions but no regulatory approvals.
- Tokmanni's guidance for 2023 will change as a result of the acquisition. An updated guidance will be provided as soon as possible after the closing of the transaction.

Key combined financial data

The following unaudited combined financial information has been presented for illustrative purposes only. The combined financial information depicts the impact of the transaction on Tokmanni's financial information as if Dollarstore had been acquired by Tokmanni on 1 January 2022.

The figures presented for combined financial information are preliminary and based on information available at this time. The combined financial information has been created by combining the financial information of Tokmanni and initial IFRS adjusted financial information of Dollarstore⁷. The combined financial information is based on a hypothetical situation and should not be interpreted as pro forma financial information, because potential differences in

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⁵ Based on calendarisation of Dollarstore's financials for the period of 1 January 2022 – 31 December 2022. Illustrative unaudited IFRS adjusted net debt, EBITDA and EBIT

⁶ Based on calendarisation of Dollarstore's financials for the period of 1 January 2022 – 31 December 2022. Illustrative unaudited IFRS adjusted net debt, EBITDA and EBIT. Full net impact of run-rate synergies estimated to be EUR 15 million

⁷ Based on Tokmanni's audited consolidated financial statements for the year ended 31 December 2022 and Dollarstore's illustrative unaudited calendarised figures for the period 1 January 2022 – 31 December 2022

accounting principles or the impact of purchase price allocation have not been considered. Tokmanni will conduct a thorough review of Dollarstore's accounting policies and will prepare the purchase price allocation only after the transaction is completed.

Illustrative unaudited combined financial information based on the period of 1 January 2022 – 31 December 2022

EUR million⁸	Dollarstore⁹ (illustrative, calendarised and unaudited)	Tokmanni (audited)	Combined entity (illustrative, calendarised and unaudited)
Net sales	389.1	1,168.0	1,557.1
Gross profit	148.9	396.8	545.7
EBITDA	50.2	157.1	207.3
EBIT	15.9	84.1	99.9

EUR million¹⁰ per 31 December 2022	Dollarstore¹¹ (illustrative, calendarised and unaudited)	Tokmanni (audited)	Combined entity (illustrative, calendarised and unaudited)
Bank debt	-	110.0	110.0
Lease liabilities	196.5	282.4	478.9
Total interest-bearing liabilities	196.5	392.4	588.9
Cash	13.4	9.1	22.5
Total net debt	183.1	383.3	566.5

Annual synergies in detail

Significant annual synergies have been identified by Tokmanni from the transaction. The identified synergy potential includes, but is not limited to, benefits of scale in sourcing and buying, as well as combined assortment when Tokmanni and Dollarstore form a leading entity in the Nordic discount retailing markets. Expected value of identified net synergies, including additional running costs to support public company requirements and continued growth, amounts to over EUR 15 million annually, expected to be fully implemented within 30 months. One-time integration-related costs are excluded in the net synergy calculations.

Financing in more detail

The transaction will be financed with debt for which a facility has been added to the existing financing agreement Tokmanni has with OP Corporate Bank plc and Swedbank AB (publ). The new facility is a EUR 180 million amortising term loan with a maturity of 1.5 years with a 1-year extension option. Tokmanni's illustrative leverage is 3.6x¹² based on the 2022 financials

⁸ Converted to EUR from SEK based on average EUR/SEK of 10.6338 for the period of 1 January 2022 – 31 December 2022

⁹ Figures based on the period of 1 January 2022 – 31 December 2022

¹⁰ Converted to EUR from SEK based on EUR/SEK of 11.1222 on 31 December 2022

¹¹ Figures as of 31 December 2022

¹² Leverage defined as (2022 combined net debt + purchase price) / 2022 combined EBITDA

excluding synergies. Tokmanni's current leverage target is to have a net debt/comparable EBITDA-ratio below 3.2x. The transaction is expected to be EPS enhancing from inception of the transaction (excluding transaction related one-time costs). Potential additional implications to Tokmanni's financial position will be announced later when a more reasonable estimate can be produced.

Tokmanni's guidance for 2023

Tokmanni's guidance for 2023 will change as a result of the acquisition. An updated guidance will be provided as soon as possible after the closing of the transaction.

Dollarstore in brief

Dollarstore, founded in 1994, is one of the largest discount retailers in Sweden with a wide product assortment within Fashion & Beauty, Snacks & Beverages, Home decorations, Cleaning, Seasonal & Party, Leisure & Toys, Animals and Other.

The Company operates through 130 store locations across Sweden as well as two store locations in Denmark, and currently employs approximately 1,160 people. The revenue in Dollarstore totalled approximately EUR 394 million¹³ for the financial year that ended on 31 January 2023. Since 1994 Dollarstore's net sales has doubled every 4th year on average.

Dollarstore has a market-leading expansion organisation that has established 54 new stores between 2019–2023. New locations are continuously analysed through a comprehensive expansion process, with a focus on profitability from the first month of opening. Dollarstore's key financial and operational figures are summarised in the table below.

Dollarstore's unaudited key financial and operational figures (stand-alone and based on local GAAP)¹⁴

EUR million (where applicable)	1 January 2020– 31 January 2021 (13 months)	1 February 2021– 31 January 2022	1 February 2022– 31 January 2023
Net sales	347.8	364.5	393.8
Gross profit	130.9	142.4	152.5
EBITDA	17.8	21.4	20.4
EBIT	12.7	16.1	15.1
Personnel	985	1,010	1,162
Stores	116	120	132

Analyst and press conference

Tokmanni's President and CEO Mika Rautiainen and CFO Tapio Arimo will present the Dollarstore transaction to analysts, investors and media representatives on 7 July 2023 at 11:00 am in English (Finnish time).

¹³ Converted to EUR from SEK based on average EUR/SEK of 10.6950 for the period of 1 February 2022 – 31 January 2023

¹⁴ All figures converted to EUR from SEK based on average EUR/SEK of 10.6950 for the period of 1 February 2022 – 31 January 2023 and presented figures are based on Dollarstore stand-alone figures and local GAAP

The live webcast can be accessed via the link below. On-demand version of the presentation will be available on the company's website later on today.

Link: <http://www.livekatsomo.fi/tokmanni>

Advisors

Danske Bank A/S is acting as the sole financial advisor and Hannes Snellman Attorneys Ltd is acting as legal advisor to Tokmanni in connection with the transaction.

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Tokmanni in brief

Tokmanni is Finland's leading variety discount retailer. Around 4,200 Tokmanni employees make customers' everyday life and special occasions easier by offering a versatile and up-to-date assortment of Finnish and international brand-name products and other high-quality products at prices that are always affordable. With online stores and more than 230 Tokmanni, Miny, Click Shoes and Shoe House stores, Tokmanni is always close to its customers. In 2022, Tokmanni's revenue was EUR 1,168 million and comparable EBIT amounted to EUR 86 million. Tokmanni's shares are listed on Nasdaq Helsinki.

Important information

This release includes "forward-looking statements". These statements may not be based on historical facts, but are statements about future expectations. When used in this release, the words "aims", "anticipates", "assumes", "believes", "could", "estimates", "expects", "intends", "may", "plans", "predicts", "should", "will", "would" and similar expressions as they relate to Tokmanni, Dollarstore, the transaction or the combination of the business operations of Tokmanni and Dollarstore identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements are set forth in a number of places in this release, including wherever this release include information on the future results, plans and expectations with regard to the combined company's business, including its strategic plans and plans on growth and profitability, and the general economic conditions. These forward-looking statements are based on present plans, estimates, projections and expectations and are not guarantees of future performance. They are based on certain expectations, which, even though they seem to be reasonable at present, may turn out to be incorrect. Such forward-looking statements are based

on assumptions and are subject to various risks and uncertainties. Shareholders should not rely on these forward-looking statements. Numerous factors may cause the actual results of operations or financial condition of the combined company to differ materially from those expressed or implied in the forward-looking statements. Tokmanni or any of its respective affiliates, advisors or representatives or any other person undertakes no obligation to review or confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this release. Each person must rely on their own examination and analysis of Tokmanni, its respective subsidiaries, its respective securities and the transaction, including the merits and risks involved.

This release contains financial information regarding the businesses and assets of Tokmanni and Dollarstore and their consolidated subsidiaries. Such financial information may not have been audited, reviewed or verified by any independent accounting firm. Certain financial data included in this release consists of “alternative performance measures”. These alternative performance measures, as defined by Tokmanni, may not be comparable to similarly titled measures as presented by other companies, nor should they be considered as an alternative to the historical financial results or other indicators of Tokmanni’s and Dollarstore’s cash flows based on IFRS. Even though the alternative performance measures are used by the management of Tokmanni to assess Tokmanni’s financial position, financial results and liquidity, and even though these types of measures are commonly used by investors, they have important limitations as analytical tools and should not be considered in isolation or as substitutes for analysis of Tokmanni’s financial position or results of operations as reported under IFRS.

This release includes estimates relating to the synergy benefits expected to arise from the transaction and the combination of the business operations of Tokmanni and Dollarstore as well as the related integration costs, which have been prepared by Tokmanni and are based on a number of assumptions and judgments. Such estimates present the expected future impact of the transaction and the combination of the business operations of Tokmanni and Dollarstore on Tokmanni’s business, financial condition and results of operations. The assumptions relating to the estimated synergy benefits and related integration costs are inherently uncertain and are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause the actual synergy benefits, if any, from the transaction and the combination of the business operations of Tokmanni and Dollarstore and related integration costs to differ materially from the estimates in this release. Furthermore, there can be no certainty that the transaction will be completed in the manner and timeframe described in this release, or at all.

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