

Statement by Transcom's Bid Committee in relation to the offer from Altor and certain financial guidance for Q4 2016 and comments on financial targets

Press release

2016-12-21

Stockholm, 21 December 2016

The Bid Committee of Transcom unanimously recommends that the shareholders of Transcom accept the offer by Altor.

Background

This statement is made by the independent bid committee¹ (the "**Bid Committee**") of the Board of Directors of Transcom WorldWide AB (publ) ("**Transcom**" or the "**Company**") pursuant to Section II.9 of Nasdaq Stockholm's takeover rules (the "**Takeover Rules**").

Altor AB, a company jointly owned by Altor Fund IV (No. 1) AB and Altor Fund IV (No. 2) AB, funds managed by Altor Fund Manager AB, (jointly "**Altor**") has today on 21 December 2016 announced a public cash offer to the shareholders of Transcom to transfer all of their shares in Transcom to Altor (the "**Offer**"). Altor offers SEK 87.50 in cash per share in Transcom, corresponding to a total value for all outstanding shares in Transcom of SEK 2,294 million². Altor is the largest shareholder in Transcom, holding 6,377,238 shares in Transcom, corresponding to approximately 24.3 percent of the shares in the Company (excluding the 702,966 shares held by the Company). The value of the Offer, excluding shares held by Altor, amounts to approximately SEK 1,736 million.

The Offer represents a premium of:

- approximately 36.6 percent to the volume-weighted average share price of SEK 64.05 for the Transcom share on Nasdaq Stockholm during the 90 trading days before the announcement of the Offer;
- approximately 37.2 percent to the volume-weighted average share price of SEK 63.79 for the Transcom share on Nasdaq Stockholm during the 30 trading days before the announcement of the Offer;
- approximately 41.6 percent to the volume-weighted average share price of SEK 61.81 for the Transcom share on Nasdaq Stockholm during the 10 trading days before the announcement of the Offer; and
- approximately 35.7 percent per share to the closing price of SEK 64.50 for the Transcom share on Nasdaq Stockholm on 20 December 2016, the last trading day before the announcement of the Offer.

The acceptance period for the Offer is expected to commence on 16 January 2017 and expire on or around 21 February 2017, subject to any extensions.

According to Altor's press release announcing the Offer, the major shareholders Creades AB, SEB SICAV 2 – SEB Listed Private Equity and SEB Alternative Strategies SICAV – SEB

¹ At a Board meeting on 1 December 2016, the Board of Directors of Transcom resolved to establish an independent bid committee, consisting of Henning Boysen (Chairman of the Board), Liselotte Hägertz Engstam and Mikael Larsson, to evaluate the Offer and to mandate the bid committee to handle and resolve upon all matters related to the Offer.

² Based on 26,213,618 shares outstanding, excluding 702,966 shares held by Transcom

Industrial Opportunities (together the “SEB funds”) and the Fourth Swedish National Pension Fund (“AP4”), jointly representing 28.8 percent of the shares and votes³ in Transcom, have entered into separate agreements to accept the Offer. These agreements are subject to certain conditions, including that no other party makes a public offer for the shares in Transcom at a price per share which is more than 3 percent higher than the price offered by Altor and that Altor does not match this price within five working days. The agreements are also subject to the Offer being declared unconditional no later than on 15 March 2017. Please refer to Altor’s press release regarding the Offer for further details.

Transcom Board member Klas Johansson is board member and partner in Altor and has therefore not participated in the Board’s handling of any matters relating to the Offer. This implies that Section III of the Takeover Rules is applicable to the Offer. In addition, Board members Fredrik Cappelen and Erik Törnberg have not participated in the Board’s handling of any matters relating to the Offer due to conflict of interest. Fredrik Cappelen has an agreement with Altor under which he is advising Altor as a consultant in certain matters and Erik Törnberg is an investment director at Creades AB that has undertaken to accept the Offer, as further described above.

The Bid Committee has, upon the written request of Altor, allowed Altor to carry out a limited due diligence review of Transcom as part of Altor’s preparations of the Offer. As part of the due diligence, Altor has received information on Transcom’s performance and outlook for Q4 2016 in accordance with the information disclosed under “*Financial guidance for Q4 2016*” and the information regarding the Company’s expected performance in 2017 in relation to its financial targets as disclosed under “*Comments on the Company’s financial targets*”. With the exception of the information on the expected financial performance in Q4 2016 and comments on the financial performance in 2017 in relation to the Company’s financial targets as disclosed below, Altor has not in its due diligence review been provided with any non-public information that could reasonably be expected to affect the share price of the Transcom share.

Completion of the Offer is conditional upon customary conditions, including that shareholders of Transcom accept the Offer to such extent that Altor becomes owner of more than 90 percent of the total number of shares in Transcom and that necessary regulatory approvals from authorities are obtained, including approvals from competition authorities in a number of jurisdictions. Altor has reserved the right to in whole or in part waive these and other conditions for completion of the Offer. Please refer to Altor’s press release regarding the Offer for further details.

The Swedish Securities Council (“AMN”) has, through decision AMN 2016:44, granted Altor an exemption from the requirement to make the Offer available to Transcom shareholders domiciled in the US. For the full decision from AMN, please see www.aktiemarknadsnamnden.se.

The Bid Committee has retained SEB Corporate Finance as financial advisor and Hannes Snellman as legal advisor. Baker & McKenzie has acted as legal advisor to the Bid Committee in relation to the due diligence process.

As part of the Bid Committee’s evaluation of the Offer, and in accordance with the obligation set out in section III.3 of the Takeover Rules, the Bid Committee has engaged Deloitte to provide a fairness opinion regarding the Offer. According to the fairness opinion, also attached to this press release, the Offer is fair from a financial perspective to the shareholders of Transcom.

³ SEB funds hold 3,419,240 shares, corresponding to approximately 13.0 percent of the shares and votes in Transcom, Creades AB holds 2,822,196 shares, corresponding to approximately 10.8 percent of the shares and votes in Transcom, and AP4 holds 1,311,899 shares, corresponding to approximately 5.0 percent of the shares and votes in Transcom (excluding 702,966 shares held by Transcom)

Financial guidance for Q4 2016

In the table below, Transcom is providing guidance on its expected revenue, operating profit ("EBIT") and EBIT excluding non-recurring items in Q4 2016 based on the actual performance in October and November and the Company's expectations on performance in December. The table below also shows the expected revenue, EBIT and EBIT excluding non-recurring items for the full year 2016 based on the expected Q4 2016 result and actual results for Q1-Q3 2016. Transcom is scheduled to report its Q4 and full year 2016 results on 8 February 2017.

Guidance (MEUR)	2016 Q4 (expected)	2016 Full year (expected)
Revenue	152- 156	583-587
EBIT excl. non-recurring items	8.5-9.0	22.4- 22.9
EBIT margin excl. non-recurring items	Around 5.7%	Around 3.9%
EBIT	8.5-9.0	22.9-23.4
EBIT margin	Around 5.7%	Around 4.0%

As set out above, the Q4 guidance is revenue of EUR 152 to 156 million with an EBIT of EUR 8.5 to 9.0 million. This implies an EBIT margin in Q4 2016 of around 5.7 percent and a margin of around 4.0 percent for the full year 2016. Transcom's EBIT margin in Q3 2016 was 5.3 percent (4.9 percent if adjusted to exclude positive effects from a retroactive price adjustment in a customer contract). Based on the mid-point of forecasted EBIT in Q4 2016 and the actual EBIT in Q3 2016, EBIT margin in the second half of 2016 would be approximately 5.5 percent. The second half of the year is usually seasonally stronger from a profitability perspective. Based on the strong H2 2016 performance, profitability is on track towards the Company's mid-term EBIT margin target of at least 5 percent.

Comments on the Company's financial targets

In early 2015, following a turnaround phase which was initiated at the end of 2011, Transcom adopted and announced its mid-term financial targets. These targets are:

- EBIT margin of at least 5 percent;
- Net debt/EBITDA ratio of maximum 1.0; and
- Organic revenue growth of at least 5 percent per year.

During the last twelve months, the EBIT margin target has been deemed to be the most fundamental and prioritized target. The Company has implemented organizational changes aimed at improving profitability, increased focus on prioritized growth areas and initiated a program for operational excellence. The profitability over the last twelve months is on an upward trend and as communicated in recent financial reporting, the Company expects that the EUR 2.9 million in annual cost savings announced in early 2016 will reach full effect on a run rate basis during Q4 2016. Further efficiency gains in addition to these direct cost savings are also expected to be realized in the coming years. From this perspective, the Bid Committee is of the opinion that the Company is well positioned to meet its EBIT margin target in 2017. It is however important to note that there are inherent risks to successful implementation of efficiency programs.

Profitability has been prioritized over growth recently and the Company has not shown growth in line with its target over the last twelve months. As communicated in recent financial reporting, Transcom is however seeing several growth opportunities currently, primarily in English-language markets. Notwithstanding this, the Bid Committee believes that reaching the organic revenue growth target may be more unpredictable than reaching the Company's margin and capital structure targets.

Recommendation

The Bid Committee's opinion of the Offer is based on an assessment of a number of factors that the Bid Committee has considered relevant to the evaluation of the Offer. These factors include, but are not limited to, the Company's present position, the expected future development of the Company and associated opportunities and risks.

In evaluating the Offer, the Bid Committee has also analyzed the Offer using the methods normally used for evaluating bids for listed companies, including Transcom's valuation relative to comparable companies and comparable acquisitions, the stock market's expectations on the Company and the Bid Committee's view on the Company's value based on its long-term cash flow generation.

The Bid Committee has also noted that the price per share offered by Altor represents a premium of approximately 36.6 percent compared to the volume-weighted average share price over the last 90 trading days before the announcement of the Offer.

As described above, Deloitte has issued a fairness opinion to the Bid Committee stating that the Offer is fair from a financial perspective for the shareholders of Transcom.

Under the Takeover Rules, the Bid Committee shall, based on what Altor has expressed in its announcement of the Offer, present its views on the impact that the completion of the Offer may have on Transcom, especially employment, and its views on Altor's strategic plans for Transcom and the impact that these could have on employment and on the locations where Transcom operates its business. In this respect, the Bid Committee has noted that Altor states that Transcom is already a company that is undergoing change, where part of the ongoing work is intended to reduce costs. Altor does not anticipate that the Offer will result in material changes for Transcom's employees, management, terms of employment, employment or Transcom's operational sites, other than what may follow from the Company's already adopted strategy. Altor has not made any decisions concerning any material changes affecting Transcom's employees, management, terms of employment, employment or Transcom's operational sites. Following completion of the Offer, and after careful analysis, Altor will evaluate these issues and how the Company is best developed. The Bid Committee assumes that this description is correct and has no reason to have a different opinion in this matter.

On this basis the Bid Committee unanimously recommends the shareholders of Transcom to accept the Offer.

This statement shall in all respects be governed by and construed in accordance with substantive Swedish law. Disputes arising from the statement shall be settled exclusively by Swedish courts.

Stockholm, 21 December 2016
Transcom WorldWide AB (publ)
The Bid Committee

This information is such that Transcom WorldWide AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Takeover Rules. The information was submitted for publication, through the agency of the contact person set out below, at 07:45 am CET on 21 December 2016.

For further information, please contact:

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About Transcom

Transcom is a global customer experience specialist, providing customer care, sales, technical support and credit management services through our extensive network of contact centers and work-at-home agents. We are 29,000 customer experience specialists at 53 contact centers across 21 countries, delivering services in 33 languages to international brands in various industry verticals. Transcom WorldWide AB's share is listed on the Nasdaq Stockholm Exchange under the ticker symbol TWW.



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Opinion

Altor AB ("Altor"), jointly owned by Altor Fund IV (No. 1) AB and Altor Fund IV (No. 2) AB, which are managed by Altor Fund Manager AB, has on 21 December 2016 announced a public offer to acquire all outstanding shares in Transcom WorldWide AB ("Transcom").

In summary Altor offers SEK 87.50 in cash for each share in Transcom ("the Offer"). Completion of the Offer is conditional on, inter alia, the Offer being accepted to such an extent that Altor becomes the owner of shares in Transcom representing more than 90 % of the total number of shares, and receipt of all necessary regulatory, governmental or similar clearances, approvals and decisions.

Altor has an existing shareholding corresponding to 24.3 % of the votes and the capital in Transcom. Further, Transcom's board members Klas Johansson, Erik Törnberg and Fredrik Cappelen have conflicts of interest and do not participate in the Board of Directors' handling of or decisions concerning the Offer.

In light of the above and considering section III in Nasdaq Stockholm's Take-over rules, the independent members of the Board of Directors have engaged Deloitte AB ("Deloitte") to issue an opinion on the fairness of the Offer from a financial point of view for the shareholders of Transcom.

For this analysis we have:

- a) Reviewed the Offer;
- b) Reviewed historical public and internal financial information related to Transcom;
- c) Analysed certain forecasts and other internal forward looking information related to Transcom;
- d) Held discussions with representatives of Transcom's management and independent members of the Board of Directors; and
- e) Conducted other financial analyses and investigations that we have deemed to be appropriate.

It is assumed that the information received is correct and complete and no independent control or verification has been carried out. Deloitte does not assume any responsibility for any inaccuracy or incorrectness in the information received. If it is determined that the information we received was inaccurate or incomplete, this could mean that our conclusion is incorrect.

Our opinion is based on macroeconomic, financial, market related, and other conditions, as well as other information provided to us as of the date of our opinion. We assume no responsibility for events occurring after this date, which could affect this opinion and the assumptions which it is based upon.

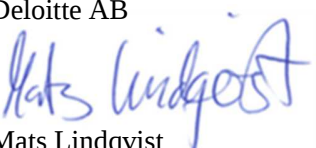
Our fee for this engagement is fixed and does not depend on the size of the Offer, to what extent it is accepted or whether the Offer is completed or not.

This opinion is governed by Swedish law.

Based on the analyses, assumptions and reservations above, we are of the opinion, as of the date hereof, that the Offer is fair from a financial point of view for the shareholders of Transcom.

Stockholm, 21 December 2016

Deloitte AB



Mats Lindqvist

Partner, Valuation & Modelling