

# Boreo's and Sievi Capital's Combination Agreement

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**BOREO**

**SC**  
Sievi Capital

## The motive and advantages of the combination

### Why did Sievi Capital and Boreo sign the combination agreement?

The Boards of Directors of Sievi Capital and Boreo have assessed strategic options to increase shareholder value and see that the combination will create the highest shareholder value for both companies in the short and long term.

The combination will create the leading growth platform for SMEs on the Helsinki Stock Exchange and create strong economic conditions for growth and the creation of shareholder value for the future company. This will benefit both Sievi Capital's and Boreo's shareholders, who will become owners of the future company.

The board of directors of both companies have signed the Combination Agreement and propose its approval to the Extraordinary General Meetings. The due diligence checks carried out after the publication of the letter of intent (18 August 2021) did not reveal anything that would have affected the combination or its financial terms.

According to independent fairness opinions received by the boards of directors of the companies, the conversion ratio is fair for both Sievi and Boreo shareholders.

### What kind of synergies and efficiency improvements does the combination aim to achieve?

The combination will significantly increase the investment portfolio and thus diversify risk.

Together, companies are stronger than standalone. The combination will create even better conditions for enhancing operational efficiency, the utilisation of best practices, synergies between the businesses and a stronger offering for the customers, suppliers and other stakeholders of the future company.

In order to achieve synergy benefits in financing, the aim is to organise the financing of business operations mainly at the group level.

The existing Sievi and Boreo companies provide a good foundation for the combined company, serving as a growth platform for new companies and creating attractive career and development opportunities for personnel.

The above-mentioned factors and the larger size of the future company also make the future company an even more attractive investment for both domestic and international investors.

# Financial terms and conditions of the combination

**According to the combination agreement, the shareholders of Sievi Capital will own 40 per cent of the future company and the shareholders of Boreo 60 per cent. What is this conversion rate based on and is it in the best interest of the shareholders of both companies?**

The conversion rate used as the basis for the agreement is the outcome of the negotiations between Board members who are independent from the main owner and these Board members' advisors. In these negotiations, both parties have had access to information about the market values of the companies, their ability to make a profit and their balance sheets and future outlook as independent operators, as well as the value of the companies calculated on the basis of various valuation methods.

The ratio takes into account the market values of the companies and, in addition, valuations based on both companies' financial situation and profitability, calculated using different methods. The conversion rate is not based on the short-term market valuation of companies, as is the case for combinations usually, but takes them into account over a longer period of time. The combination will create strong financial conditions for growth and for increasing the future company's shareholder value in the long term, which will benefit the shareholders of both Sievi Capital and Boreo.

The boards of directors of both companies have received fairness opinions in support of their decisions, in which it was found that the conversion rate was fair for both Sievi Capital and Boreo shareholders. Handelsbanken, as the financial advisor to Sievi Capital, and OP in relation to a fairness opinion submitted to Boreo's Board of Directors made valuations of both companies using different valuation methods.

On these grounds, the independent members of the boards of directors of both companies consider that the combination of both companies on the proposed terms and conditions is in the best interests of the shareholders of both companies.

Inderes, which follows Sievi Capital, has given Sievi Capital a significantly higher target price as a result of the merger. The research company also considers the exchange ratio to be sufficient, taking into account the future company's strategy and future prospects.

## Operations of the future company

**Will the future company be a private equity investment company like Sievi Capital or a group that grows through acquisitions like Boreo?**

The strategy of the future company will be based on Boreo's current strategy as a compounder. In other words, the company will be a group that grows through acquisitions like Boreo.

The future company will serve as a growth platform for its companies and employees, create growth through acquisitions and organically and focus on creating operative efficiencies and shareholder value in the long term.

As a result of the combination, Sievi's target companies will become part of the business operations of the future company, and it will develop the business operations in the long term without an intent to divest them.

## Why was the strategy chosen based on Boreo's current strategy and how will it be ensured that this will maximise the value of the whole?

Boreo has implemented a strategy reform in spring 2021 and the company has strong evidence of its successful implementation. One indication of this is that Boreo's share in the stock exchange is valued relatively higher than Sievi's.

The boards of directors of the companies have estimated that Boreo's business model and strategy create the best conditions for creating shareholder value and that the combination will allow all shareholders to benefit from the future development of the company.

The similarities between Boreo's and Sievi Capital's operations (such as acquisitions and entrepreneurial culture) provide a good basis for the future development of the company.

## Will Sievi Capital's target companies and Boreo's existing group companies remain independent in the new company?

In the future company's decentralised entrepreneurial business model, which is based on Boreo's current business model, the companies will be developed independently and in the long term, without any intent to divest them.

In order to enable the development of operative efficiency and to commit and encourage the key personnel, the combination will explore the possibilities of harmonising the ownership structures of Sievi's portfolio companies.

Boreo's business model has proven to be successful and is based on the group companies operating independently, taking advantage of the wider opportunities offered by the group structure, including in terms of financing.

## Preparation, decision-making and progress of the combination

### Who was responsible for preparing the combination?

Preato Capital was the initiator of the combination and in the spring of 2021 proposed to the Boards of Directors of both Boreo and Sievi to explore the combination. After the initiation, board members from both Sievi Capital and Boreo who are independent of Preato Capital have been responsible for the preparation, negotiation and decision-making of the combination. They have carefully assessed the different options for companies and their shareholders and see that the combination will create the highest value for shareholders of both companies in the short and long term.

Preato Capital has supported the merger as a shareholder of the companies.

## **Are the terms and conditions of the combination agreement final and sure to be fulfilled?**

The Boards of Directors of both Sievi Capital and Boreo have signed the Combination Agreement and propose its approval to the Extraordinary General Meetings that are thought to be held in December 2021.

The implementation of the combination requires sufficiently wide approval among the shareholders in the Extraordinary General Meetings and the necessary approvals from the authorities.

## **What is the combinatiton process like and what will happen next?**

In September, the companies submitted the merger plan for registration. A merger prospectus is expected to be published in November 2021 and both companies will hold Extraordinary General Meetings in December 2021, at which the decision on the combination agreement will be made.

If approved by the general meetings, the merger is expected to take place in the first half of 2022, once the necessary regulatory approvals have been obtained.

## **Is it possible to vote in advance at extraordinary general meetings?**

Yes, the companies will make it possible to vote in advance.