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Acquisition of FIRSTRONIC in the US

A strategic step in the LEADERSHIP 2025 plan
alongside Bpifrance

A highly attractive financial profile

Very strong growth expected in 2021 with a turnover of around \$140m¹
An operation immediately accretive

LACROIX makes international development one of the pillars of its LEADERSHIP 2025 plan, with the objective of a reinforced foothold in the strategic markets of the US and Germany, especially through acquisitions.

In this context, LACROIX announces today that it has signed an exclusive agreement for the acquisition of a majority stake in the capital of the US company FIRSTRONIC with its main shareholders. The Group first acquired a stake in 2017, which it then increased to 12.5%. Subject to the usual suspensive conditions, this operation will be conducted with co-investment from Bpifrance, who will take up a minority stake in FIRSTRONIC, through its International Build-Up Fund.

Founded in 1980, FIRSTRONIC is an EMS (Electronics Manufacturing Services) serving Tier-1 customers primarily in the automotive, industry and healthcare sectors in North America. The company relies on two production sites in Michigan (US) and Mexico, and on a team of around 1,300 people.

This operation will significantly strengthen LACROIX's global position in sectors with increasing demands for electronic solutions. It is extremely relevant from both financial and operational perspectives.

Solid foundations for the development of LACROIX in North America

Perfectly in line with the Group's strategic ambition to consolidate its positions in the US market, the acquisition of FIRSTRONIC makes it possible to establish a strong industrial base on the North American continent and complete an industrial network with a multi-continent reach. It also creates a solid base to accelerate the growth of LACROIX's various activities in the USMCA region.

¹ Non audited figures

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“We have had a stake in FIRSTRONIC for almost four years now, during which time we have been able to observe the commitment and know-how of FIRSTRONIC’s teams and the strong potential synergies between our respective entities. Together with keeping in place a highly experienced management team, which has been able to grow the business at a rapid pace, these elements convinced us that a combination would be mutually beneficial and incorporating FIRSTRONIC largely facilitated. Proud of the opportunities afforded by a first acquisition such as this on US soil that is as structural as it is historic, we look forward to welcoming FIRSTRONIC’s teams within the Group and with them, creating a global leader in industrial IoT solutions and electronic devices for critical applications,” says Vincent Bedouin, LACROIX CEO.

An historic acquisition to create a multicontinental leader, the French N°1 in EMS

Furthermore, with an ideal complementarity in terms of respective customer bases and locations, the combination of LACROIX and FIRSTRONIC aims to create the French leader in EMS. Underpinning this are major synergies: (i) reaching a critical size enabling cross-selling and supporting major customers in Europe and North America while maintaining a virtuous concentration of the number of industrial sites; (ii) geographic diversification expanding the Group’s reach beyond the EMEA region; and lastly, (iii) a very strong potential for economies of scale, the main consequences of which will be the optimisation of purchasing and competitiveness.

Operational benefits combined with a highly attractive financial profile

The operational relevance of this combination is complemented by an especially attractive financial profile. Indeed, under the leadership of John Sammut, the last few years have seen FIRSTRONIC post double-digit growth in revenue, together with greatly increased margins.

For 2020, FIRSTRONIC posted revenue of \$87 million (approx. €76 million²), almost 20% of LACROIX’s revenue, for an EBITDA margin over 8%. Strong growth is expected across both indicators for the 2021 financial year with a trajectory of \$140 million in revenue and EBITDA above 9%.

Beyond the identified commercial and industrial synergies, and economies of scale, which were behind the initial acquisition of a stake in 2017, incorporating FIRSTRONIC should immediately prove accretive within the upcoming financial year, especially in terms of EBITDA margin. Lastly, establishing a base in the dollar region should also provide the Group with a natural hedge against exchange rate variations.

John Sammut, CEO of FIRSTRONIC confirms *“We couldn’t be happier with this agreement. We are very familiar with LACROIX teams, and LACROIX and FIRSTRONIC are joining forces to create a global leader in EMS, which makes perfect sense from both an industrial and financial point of view. I am excited for us to start working together to grasp the excellent growth opportunities that lie ahead.”*

² Non audited figures, at the 2020 average exchange rate

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Terms of the transaction

As mentioned above, the current management team will remain fully committed in the new organization: John Sammut, present since 2011, will remain CEO of FIRSTRONIC and will retain 4% of share capital in it, while Jochen Lipp, COO since 2013, will take an equity stake in FIRSTRONIC of 3%.

LACROIX, which already has a 12.5% shareholding, will rise its equity stake in FIRSTRONIC to 62% at the end of the operation.

Lastly, as part of the agreement, co-investing alongside LACROIX, Bpifrance will take a 26% stake in FIRSTRONIC through its International Build-Up Fund (IBF). The IBF aims at speeding up the transformation of French family-owned SMEs. The IBF is the first fund to directly invest internationally alongside family businesses as part of their buy-and-build strategy or greenfield projects.

Emmanuel Denoulet, Investment Director of Bpifrance's International Build-Up Fund says *"Bpifrance has been supporting LACROIX's growth since 2020 through its 'Société de Projets Industriels' (SPI) [Industrial Projects Company] fund in the construction of a factory of the future (Symbiose Project). Today, we are delighted to pursue our commitment and renew our trust in LACROIX's teams with this acquisition, which marks a significant step toward the Group's Leadership 2025 plan. By involving FIRSTRONIC's management, which LACROIX has got to know since its 2017 strategic stake acquisition, LACROIX is paving the way for growth and synergies"*.

At the end of this operation, which is expected to occur very soon, LACROIX intends to continue with its roadmap, including new international acquisitions to strengthen each of its activities.

Upcoming Dates

Earnings for the 4th quarter and the 2021 financial year: 14 February 2022 after the market closes

Find Financial Information in Our Investors' Zone

<https://www.lacroix-group.com/investors/>

About LACROIX

Convinced that technology must help to make our living environments simpler, more sustainable and safer, LACROIX supports its customers in building and managing smart life ecosystems, thanks to its connected devices and technologies.

A listed intermediate-sized family enterprise (ISE) with turnover of 441 million euros in 2020, LACROIX combines the agility that is vital to innovating in an ever-changing technological sector, the ability to industrialise reliable and secure devices, cutting-edge know-how in industrial IoT solutions and electronic devices for critical applications, and the long-term vision to invest in and build the future.

LACROIX designs and manufactures electronic devices for its customers' products, as well as IoT (hardware, software and cloud) and AI solutions, especially for the industry, automotive, home automation, avionics and health sectors. The Group also supplies connected and secure solutions for managing critical infrastructure such as smart roads (street lighting, signalling, traffic management, V2X) and for managing and controlling water and energy infrastructure.

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With its proven technological and business expertise and experience, LACROIX works with its customers and partners to connect the present with the future. It helps them to build the industry of the future and benefit from the innovation opportunities around them by providing them with the devices and solutions for a smarter world.

About Bpifrance and the International Build-Up Fund

Bpifrance Investissement is the management company that handles Bpifrance's equity investments. Bpifrance is the French national investment bank: it finances businesses – at every stage of their development – through loans, guarantees, equity investments and export insurances. Bpifrance also provides extra financial services (training, consultancy) to help entrepreneurs meet their challenges (innovation, export...).

Bpifrance's International Build-Up Fund support the international expansion of French companies. Objectives of the IBF is to encourage French SMEs to expand into new markets via acquisitions or greenfield projects.

For more information, please visit: <https://www.bpifrance.com/> Follow us on Twitter: [@Bpifrance](https://twitter.com/Bpifrance) - [@BpifrancePresse](https://twitter.com/BpifrancePresse)

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