

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION.**

**25 October 2022**

**EUROWAG**

**Eurowag to acquire Inelo**

*Acquisition of a leading Fleet Management Solutions and Time Management Software provider in Poland and Slovenia significantly enhances Eurowag's scale and product capability, and supports the development of its digital platform*

W.A.G payment solutions plc ("Eurowag" or the "Company" and, together with its subsidiaries, the "Group"), a leading pan-European integrated payments & mobility platform focused on the Commercial Road Transportation industry ("CRT"), today announces that it has reached an agreement for W.A.G. payment solutions a.s., a wholly-owned subsidiary of Eurowag, to acquire 100% of the share capital of Grupa Inelo S.A. ("Inelo"), a leading Fleet Management Solutions ("FMS") and Work Time Management ("WTM") provider in Poland and Slovenia, for up to €306 million from INNOVA/6 SCA SICAV-RAIF, European Telematics Holding SA SCA and certain other vendors (the "Proposed Acquisition").

The consideration for the Proposed Acquisition is based on an enterprise value for Inelo of up to €306 million, made up of an agreed equity cash consideration of approximately €224 million and adjusted net debt of approximately €70 million, of which up to €58 million<sup>1</sup> of debt will be repaid (subject to certain closing adjustments) on or around completion of the Proposed Acquisition ("Completion"). There is also a deferred consideration, based on Inelo's EBITDA performance in the year to 31 December 2022, capped at €12.5 million, which will (if applicable) become payable in 2023 following approval of the audited consolidated financial statements of Inelo for the financial year ending 31 December 2022. The Proposed Acquisition will be financed by existing cash and debt resources following the refinancing of the Group's bank facilities announced on 22 September 2022.

The Proposed Acquisition offers compelling strategic and financial benefits to the Group:

- Builds scale through the addition of approximately 87,000 connected trucks<sup>2</sup> and strengthens its geographic footprint in Poland, the largest commercial road transport market in Europe;
- Adds mission critical product in the form of WTM which improves efficiency and driver wellbeing whilst also presenting material cross-selling opportunities;
- Strengthens the Eurowag platform through the growth of the Eurowag network and roughly doubles the number of connected trucks from which the Group collects data providing deeper customer insight and product development; and
- Drives attractive financial profile with double-digit adjusted earnings accretion expected in the first full year post completion.

Inelo has a highly experienced management team led by Magdalena Magnuszewska as Chief Executive Officer and Mikolaj Chruszczewski as Chief Financial Offer. Magdalena and Mikolaj and their senior team will be joining Eurowag in senior management roles following completion of the Proposed Acquisition.

**Martin Vohánka, Founder and CEO of Eurowag, commented:**

*"This strategically important transaction not only brings additional scale to Eurowag, it also takes us significantly closer to achieving our ambition of delivering a fully integrated, digital end-to-end platform for customers in the commercial road transportation sector.*

*Inelo adds approximately 87,000 connected trucks to our network and solidifies our position as a leading provider of fleet management solutions to the CRT industry in the CEE region. Importantly, it also adds exciting new products to our platform in working time management solutions, which provide mission critical services to customers and drive excellent customer retention. We look forward to welcoming Magdalena, Mikolaj and their team to Eurowag and working with them as we continue to expand our digital end-to-end platform.*

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<sup>1</sup> €50 million of debt payable on Completion (as at the locked box date and is subject to adjustment depending on the date of Completion), which is likely to rise to €58 million following the completion of Inelo's ongoing acquisition of another company.

<sup>2</sup> Inelo connected trucks represent the number of medium and heavy commercial vehicles over 3.5 tonnes that have an Inelo on-board unit installed within the vehicle.

*Eurowag remains committed to ensuring any acquisition is additive both strategically and financially to the Group and this acquisition is expected to deliver double-digit adjusted earnings accretion in the first year of ownership. With our integrated payments and mobility platform, we believe Eurowag can not only make our customers' lives better in what is an underserved and fragmented sector but also deliver compelling returns for our shareholders."*

**Magdalena Magnuszewska, CEO of the Inelo Group, commented:**

*"We are benefitting from the digitalization wave across the CRT industry, and this potential has been recognized by the Eurowag Group. I am glad that, thanks to our partnership with Eurowag, we will be able to continue the development of the "one stop shop for commercial road transport" offer throughout Europe, and by joining forces with a pan-European leader we will accelerate our growth."*

## **STRATEGIC HIGHLIGHTS**

The Proposed Acquisition is strategically highly complementary, building on all five of the Company's key growth pillars - growth from existing customers, geographic expansion and penetration, go-to-market channel expansion, digital platform development and accretive M&A. When considering potential acquisitions, the Group evaluates both the financial merits of a transaction and assesses the transaction against four key strategic criteria. The Proposed Acquisition delivers on each of the key criteria of Eurowag's inorganic growth strategy:

- ***Enlarging the Group's total addressable market via new geographies and adjacent products and services:***
  - Adds approximately 87,000 connected trucks, which roughly doubles Eurowag's number of connected trucks;
  - Strengthens the Group's existing position in FMS in Poland, being the largest CRT market in Europe, whilst adding critical mass in Slovenia, Croatia and Serbia;
  - Brings new product capabilities to Eurowag's integrated technology platform:
    - Adds the mission critical and often legally required WTM product area (approximately 60,000 drivers settled directly by Inelo monthly and a further approximately 100,000 drivers settled monthly using software sold by Inelo), building toward Eurowag's vision of offering a fully integrated end-to-end digital platform;
    - The addition of the WTM also builds on the Group's existing ESG agenda, offering another product that is focussed on improving efficiency and driver wellbeing; and
    - Provides new pool of data, derived from FMS which feeds into WTM and further supports the development of innovative solutions to improve the efficiency of our customers' operations.
- ***Strengthening the Group's market position, and provides new cross-selling opportunities to enhance customer relationships which unlocks further network potential:***
  - The Proposed Acquisition will solidify Eurowag's position as a leading pan-European integrated payments & mobility platform focused on the CRT industry, and help to drive high customer retention;
  - Multiple new cross-selling / revenue synergy opportunities are anticipated given significant new customer relationships and new product capabilities:
    - Inelo's large customer base, primarily in the Polish market, will significantly expand Eurowag's network and create significant cross-selling opportunities for Eurowag's existing product suite;
    - In particular, utilisation of loyal Inelo customer base in the legally required WTM product creates a strong target opportunity into which to sell Eurowag's current payments products (in particular energy and toll);
    - Extensive opportunities to cross-sell Inelo platform, particularly WTM products, into Eurowag's customer base, growing the unit economics of each customer of the Group as enlarged by the Proposed Acquisition (the "Enlarged Group");
- ***Accelerating the pace of delivery of the Group's strategy by supporting innovation, acquiring necessary technologies and building out capabilities as an integrated end-to-end digital platform:***
  - The Proposed Acquisition capitalises on supportive market trends that continue to drive the sector including digitisation of the CRT sector, the rise of integrated platforms delivering a selection of solutions to CRT sector in one place, expansion of the road mobility market and a push towards net zero;
  - Eurowag believes that a one-stop-shop offer including payments and mobility solutions, as well as financial services and digital freight forwarding will position Eurowag as the preferred platform for customers across the CRT industry; and

- Data collected from additional trucks will underpin the development of Eurowag’s integrated digital platform by harnessing additional insights which can be incorporated into Eurowag’s extensive range of payment and mobility solutions.
- **Increasing customer life-time value and retention:**
  - Inelo’s products generate subscription-based revenues<sup>3</sup> of approximately 80% of total revenues, driven by both FMS and WTM products;
  - Eurowag’s network expansion supports further network effects, offering more services per customer, decreasing churn, increasing retention rate and customer life-time value; and
  - The addition of new WTM products, which fulfil a legal requirement for many customers within the CRT industry, will further embed Eurowag with its customers and build on the Group’s outstanding average net revenue retention between 2017 and 2021 of over 110%.

## FINANCIAL HIGHLIGHTS<sup>4</sup>

The Proposed Acquisition will further enhance Eurowag’s highly attractive financial profile, and is expected to deliver double-digit adjusted earnings accretion in the first full year of ownership:

- Strong revenue track record underpinned by attractive tailwinds:
  - In the year to 31 December 2021, Inelo delivered revenues of €26.8 million (year-on-year growth of 40.6%)<sup>5</sup> (based on audited Polish and Slovenian local GAAP); and for the six months to 30 June 2022, Inelo delivered revenues of €20.6 million (based on unaudited Polish and Slovenian local GAAP)<sup>6</sup>;
  - Inelo’s growth has been underpinned by a number of long-term industry tailwinds, including increased regulation and growing digitisation of transport logistics, as well as its successful M&A strategy with the acquisitions of CVS Mobile d.d. (“CVS”) in September 2021 and Marcos BIS sp. z.o.o. (“Marcos”) in May 2020;
- Attractive adjusted EBITDA<sup>7</sup> margins:
  - For the six months to 30 June 2022, Inelo delivered an adjusted EBITDA margin of 43.8% (based on unaudited Polish and Slovenian local GAAP)<sup>6</sup>;

### Inelo Key Financial Information

<i>All figures €m</i>	2020 <sup>(8)</sup>	2021 <sup>(5)</sup>	H1 2022 <sup>(6)</sup>
<b>Revenue</b>	<b>19.0</b>	<b>26.8</b>	<b>20.6</b>
<i>Year-on-year growth</i>		40.6%	32.1%
<b>Adjusted EBITDA</b>	<b>8.0</b>	<b>10.4</b>	<b>9.0</b>
<i>Adjusted EBITDA margin</i>	41.9%	38.7%	43.8%

- The Proposed Acquisition will significantly diversify the Group’s revenue base with approximately 40-50% of future revenue expected to be generated by the Enlarged Group’s mobility solutions segment in the near-term;
- Subscription-based revenue contribution is expected to increase significantly, strengthening the Group’s revenue resilience;

3 Subscription based revenue is the proportion of Inelo 2021 revenue which is derived from subscription contracts.

4 All financial information relating to Inelo contained in this announcement has been prepared in accordance with Polish and Slovenian local GAAP. Such financial information is subject to a conversion to IFRS and the Group’s accounting policies and, therefore, may be different when presented in the Circular. Further information on the adjustments from local GAAP to IFRS can be found in Appendix B to this announcement.

5 Inelo 2021 financials include four months of contribution from acquisition of CVS. Based on a EUR:PLN average exchange rate for the year to 31 December 2021 of 4.57 and for the year to 31 December 2020 of 4.44. Growth based on EUR to EUR. 6 Based on a EUR:PLN average exchange rate for the 6 months to 30 June 2022 of 4.63 and for the 6 months to 30 June 2021 of 4.41. Growth based on EUR to EUR. H1 2022 includes a full contribution of CVS.

7 Inelo adjusted EBITDA is calculated on the basis of earnings before interest, tax, depreciation and amortisation and before adjusting items including M&A transaction related expenses, non-recurring one-off costs, strategic transformation expenses, capitalised research and development expenses and share-based compensation. For the avoidance of doubt this definition is not aligned to that of Eurowag.

8 Based on a EUR:PLN average exchange rate for the year to 31 December 2020 of 4.44.

- The Proposed Acquisition is expected to deliver double-digit adjusted earnings accretion in the first full year of Eurowag's ownership with accretion expected to rise in subsequent years as the Enlarged Group delivers on cross-selling opportunities; and
- Post the completion of the Proposed Acquisition, Eurowag expects to continue to deliver organic net revenue growth of between high teens and low twenties per cent over the medium-term. The Proposed Acquisition significantly increases the revenue contribution to the Group from the mobility solutions segment, which has lower operational gearing, but generates naturally more recurring revenues. Consequently, the change in the revenue mix may impact the pace of the margin expansion of mid-forties trending to high-forties per cent over the medium-term. The Group continues to expect transformational capex to be €50m in aggregate for 2022 to 2023 and ordinary capex to be approximately a high single digit percentage of net revenue over the medium term. The Group expects to exceed the top end of its leverage target by around half a turn of adjusted pro-forma EBITDA on completion of the Proposed Acquisition, and return back to the leverage target range of 1.5x to 2.5x in the near term.

## CONDITIONS, TIMETABLE AND APPROVALS

The Proposed Acquisition is a Class 1 transaction for Eurowag under the Listing Rules of the Financial Conduct Authority (the "FCA") (the "Listing Rules"). The shareholder circular (the "Circular") containing further details on the Proposed Acquisition, the voting recommendation of Eurowag's Board of Directors (the "Board") and the notice convening a general meeting of the shareholders of Eurowag to vote on a resolution to approve the Proposed Acquisition (the "Resolution") is expected to be posted to shareholders in December 2022. The Board intends to recommend that its shareholders vote in favour of the Resolution.

Martin Vohánka, TA Associates<sup>9</sup> and certain members of the Board who hold shares have each irrevocably undertaken to vote in favour of the Resolution and such undertakings, collectively, represent in excess of the minimum voting rights expected to be required to pass the Resolution (being 50%+1).

Completion is conditional, amongst other things, on approval of the Circular by the FCA, Eurowag shareholder approval and the receipt of approval from relevant foreign direct investment regulatory bodies and antitrust authorities in Poland, Slovenia and North Macedonia.

The Proposed Acquisition is expected to complete in the first quarter of 2023.

## INVESTOR AND ANALYST PRESENTATION TODAY

Martin Vohánka (CEO) and Magdalena Bartoś (CFO) will host a virtual presentation and a Q&A session for investors and analysts today, 25 October 2022, at 8.30am BST.

Please register to attend the investor presentation via the following link:  
[https://us02web.zoom.us/webinar/register/WN\\_O6WQ7mpMR7CNU-f9fDNXtg](https://us02web.zoom.us/webinar/register/WN_O6WQ7mpMR7CNU-f9fDNXtg)

The webcast details are also available on the Group's website at <https://investors.eurowag.com>.

## ENQUIRIES

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<sup>9</sup> 9 Shares held through Bock Capital EU Luxembourg WAG S.à r.l., a vehicle affiliated with TA Associates.

## **About Eurowag**

Eurowag was founded in 1995 and is a leading pan-European integrated payments & mobility platform focused on the Commercial Road Transportation industry. Eurowag's innovative solutions make life simpler for small and medium businesses in the CRT industry across Europe through its unique combination of payments solutions, seamless technology, a data-driven digital ecosystem and high-quality customer service.

## **About Inelo**

Founded in 2002, Inelo is a leading Central European “one-stop-shop” provider of integrated transport technology solutions to heavy fleet transport companies with a highly attractive financial profile driven by increasing digitisation of Central and Eastern Europe markets, as well as greater complexity around international transport. Its technology solutions are largely centred around telematics products which focus on fleet monitoring, driving time analysis and transport management.

## **BACKGROUND, STRATEGY AND REASONS FOR THE PROPOSED ACQUISITION**

Eurowag was founded in 1995 and is a leading pan-European integrated payments & mobility platform focused on the commercial road transportation industry. Eurowag's innovative solutions make life simpler for small and medium sized businesses in the CRT industry across Europe, a sector which is fragmented and underserved in many areas such as payments management, fleet management solutions and financial services. Eurowag's customer base is largely made up of small and mid-sized CRT businesses that typically consist of approximately seven employees and manage trucks that deliver goods across approximately 130,000 kilometres per year.

The Group has developed a leading platform which offers its customers a unique combination of payments and mobility solutions, seamless technology, a data-driven digital ecosystem and high-quality customer service. The Group's products and services elevate the capabilities of its customers, alleviate many of the burdens associated with the CRT industry and streamline truck and back-office operations by coupling them with the Group's extensive CRT focused network and technology solutions. This helps customers optimise their costs and working capital, increase utilisation of their assets and reduce labour intensity. The Group has developed a diverse, active and loyal customer base, which continues to expand, by using its data capabilities to target customer needs and cross-sell and up-sell appropriate products.

As set out at the time of the Company's IPO in October 2021 and subsequently during its interactions with the market at its results and interim results presentations, the Group has been focussed on delivering growth by executing on its five key growth pillars: 1) growth from existing customers; 2) geographic expansion and penetration; 3) go-to market channel expansion; 4) digital platform development; and 5) accretive mergers and acquisitions. The Group has a highly successful track record of making strategic acquisitions and equity investments which allows the Group to enter into adjacent markets, increase its customer base and accelerate its vision of delivering a fully integrated end-to-end digital ecosystem for customers in the CRT industry.

At the time of the Company's IPO in October 2021, Eurowag raised net primary proceeds of approximately €184 million. The Group stated that proceeds would be used to fund the remaining €65 million portion of the Company's €75 million transformational capex programme and the additional €106 million of primary proceeds would be used to predominantly provide the Company with enhanced flexibility to take advantage of strategically and financially attractive inorganic growth opportunities.

The Group's key considerations for evaluating acquisition opportunities include:

1. Enlarging the Group's total addressable market via new geographies and adjacent products and services;
2. Strengthening the Group's market position, and providing new cross-selling opportunities to enhance customer relationships which unlocks further network potential;
3. Accelerating the pace of development of the Group's strategy by supporting innovation, acquiring the necessary technologies and building out capabilities as an integrated end-to-end digital platform; and
4. Increasing customer life-time value and retention.

The proposed acquisition of Inelo delivers on each of these criteria, is aligned to Eurowag's five growth pillars and also boosts the financial profile of Eurowag therefore delivering compelling financial returns for shareholders.

### ***Enlarging the Group's total addressable market via new geographies and adjacent products and services***

Inelo is a leading provider of fleet management solutions to customers in the CRT industry in CEE, particularly in Poland, the largest CRT market in Europe, and Slovenia. Inelo has built a loyal customer base of approximately

8,500 customers including approximately 87,000 connected trucks, which roughly doubles the number of Eurowag's connected trucks. Like Eurowag, Inelo offers its customers a one-stop-shop solution through its four product areas:

- FMS:
  - Proprietary telematics solution enabling fleet management and GPS vehicle monitoring which allows businesses to efficiently manage their fleet's routing and utilisation as well as optimise the cost of fuel with approximately 87,000 connected trucks;
- WTM software:
  - Proprietary software enabling analysis and settlement of drivers' working time with approximately 100,000 drivers settled monthly;
  - Continuously updated to reflect the latest regulations creating unique sales proposition in an environment of dramatically changing regulations;
  - Used by 23 EU Public Authorities;
- WTM outsourcing:
  - Outsourced solution for driving time analysis, settlement as well as support in administrative appeals with approximately 60,000 drivers settled monthly;
  - Premium, high-quality service with real competitive advantage based on experience and efficiency in dealing with EU wide authorities; and
- Transport management software ("TMS"):
  - TMS with broad offering, including transport route planning, deliveries coordination and drivers control with over 10,000 vehicles currently using this software; and
  - Allows optimal fleet utilisation and management of profitability level.

The acquisition of Inelo therefore solidifies Eurowag's leading position in FMS in Poland. In addition, the Proposed Acquisition offers geographic expansion through the addition of critical mass in Slovenia, Croatia and Serbia.

Furthermore, the Proposed Acquisition adds new capabilities to Eurowag's product suite with the addition of the mission critical WTM products. These products will further Eurowag's ambition of delivering a fully integrated digital platform addressing all the needs of customers within the CRT industry.

***Strengthening the Group's market position, and providing new cross-selling opportunities to enhance customer relationships which unlocks further network potential***

With this expanded network and its enlarged product suite, the Proposed Acquisition solidifies the Group's position as a leading player in payment solutions and mobility solutions in the CEE region. The enlarged customer base also provides significant cross-selling opportunities for the sale of Eurowag products into Inelo's current customer base, which offers an opportunity to substantially enhance the Enlarged Group's unit economics. Owing to the legal requirement in many jurisdictions for drivers and trucks to utilise WTM products to manage the driving time of drivers, this product creates a very loyal customer base which offers significant opportunities for the Group to sell additional products to this customer base. One such area of focus for the Enlarged Group will be in the sale of payments products (particularly energy and toll) to the existing Inelo WTM customer base.

In addition, the acquisition of Inelo will also bring opportunities for Eurowag to drive growth from existing customers with the sale of WTM products to its own customers, a product Eurowag believes will serve to boost customer loyalty and drive life-time value.

***Accelerating the pace of development of the Group's strategy by supporting innovation, acquiring necessary technologies and building out capabilities as an integrated end-to-end digital platform***

The Group has a longstanding vision to build a cleaner, fairer and more efficient CRT industry through the creation of a fully integrated, end-to-end digital platform whilst also delivering on its five growth pillars.

In recent years, the CEE CRT market across payments and mobility solutions has benefitted from various supportive market trends:

- **Digitalisation of the CRT industry:** approximately 96% of the industry's SMEs have fewer than 50 employees as well as limited resources and capability to scale up. This results in the opportunity to provide a diversified customer base with modern tools leveraging digitisation and connectivity:
  - Back-office functions for SMEs represent a material cost element of the overall operation. As with many industries, the CRT industry is seeing an increase in penetration of digital solutions for back-office functions such as accounting, finance, fleet management and human resources which drives operational and financial efficiencies;

- With increased digital freight forwarding (“DFF”) penetration, intermediary platforms can connect shippers and hauliers in real time using online technology and data. Eventually, a significant increase in total CRT volume could be undertaken through DFF, further improving efficiency and reducing empty loads;
  - Digitalisation and growth in DFF are expected to enable digital payment solutions which can increase the penetration of alternative payment methods like the Group’s fuel and toll cards or alternative payment methods. These could constitute up to 60–80% of all payments;
  - A rise in digital payments, enabling increased penetration of financing and tailored working capital (and other types of) financing whereby CRT customers’ capital needs are addressable by short-term financing providers.
- **Rise of integrated solutions:** the day-to-day job of dispatchers, fleet managers and accountants is difficult especially if working with a fragmented tool set and while facing ever changing conditions on the road, in the market and navigating complex regulation. Therefore, businesses are looking for integrated solutions via a single platform or application resulting in operational efficiency and financial stability.
  - **Expansion of road mobility market:** the serviceable addressable market<sup>10</sup> has the potential to reach €25-40bn with the introduction of digitised and integrated additional payment and mobility solutions.
  - **Push towards net zero:** there is increasing pressure from stakeholders for businesses to set out and implement strategies to shift towards net zero. Digital solutions support greater energy efficiency and Eurowag provides its innovative solutions to empower the CRT industry’s transition to a low-carbon future.

The Group’s management believes that a one-stop-shop experience encompassing payments and mobility solutions, as well as financial services and digital freight forwarding, will optimally position Eurowag as the preferred platform for customers across the CEE, including CRT customers, merchants, partners, freight forwarders, shippers and others.

The Group’s transformational investment programme is focused on the development of the necessary technology to expand the existing suite of products and services to complete its offering as the first fully integrated end-to-end digital platform for the CRT industry, particularly in terms of financing and DFF solutions. The recent strategic partnership with JITpay™ Group has built on one key component of this one-stop-shop approach with the addition of invoice discounting, digitised billing and receivables management solutions.

However, the Group believes that in order to maximise the opportunity, it must offer the leading platform. In addition, Eurowag must ensure its platform is underpinned by the largest bank of trucking data to constantly drive customer efficiency, while helping the Group to improve its products and services.

Eurowag’s existing products produce a wealth of data, which the Group uses to gain further insights into its customers’ needs, enabling it to serve them better, develop new products, improve existing solutions, and cross-sell and up-sell additional solutions that will also enhance the user experience, driving customer retention, driver wellbeing and revenue growth.

Inelo will roughly double the vehicle base from which the Group collects data, which will help to underpin Eurowag’s offering by ensuring the data it uses is significantly ahead of that of its nearest competitors in breadth and quality.

### ***Increasing customer life-time value and retention***

The Group is focused on customer retention through a self-reinforcing business model aimed at addressing its customers’ pain points and in turn, optimising their business performance along the way, creating a virtuous cycle. For example, the Group’s outstanding average net revenue retention between 2017 and 2021 of over 110% is testament to its ability to drive growth from existing customers through its product offering and customer engagement. The Group offers a comprehensive step-by-step customer acquisition approach through providing payments and mobility combined with working capital financing solutions to address the numerous pain points of mid-size operators in the CRT industry. It is also able to drive improvements in efficiency for its customers and become integral to their operations, thereby strengthening its competitive moat.

Inelo’s leading product offering delivers subscription-based revenues of approximately 80%<sup>11</sup> of total revenues across its customer base. This highlights how the mission critical nature of Inelo’s product offering and its excellent customer engagement drive customer loyalty. Approximately 30% of Inelo customers hold more than one product and deliver 55% of Inelo’s revenues, which highlights the benefits of the manner in which its FMS and WTM

<sup>10</sup> Consisting of currently sold and in-development products and services, i.e. taking into account real penetration of products.

<sup>11</sup> Subscription based revenue is the proportion of Inelo 2021 revenue which is derived from subscription contracts.

products have the potential to underpin further growth from its existing customers through cross-selling of additional products. Eurowag's longstanding ambition to create a one-stop-shop fully integrated mobility platform is embedded in the Group's belief that the provision of a full product suite addressing all of the pain points of customers in the CRT industry combined with seamless technology, a data-driven digital platform and high-quality customer service, will drive customer loyalty, products and services per customer and ultimately customer life-time value. To this end, the acquisition of Inelo adds an additional mission critical product suite in mobility solutions that complements Eurowag's existing mission critical payments products, significantly grows the data bank that underpins the seamless technology offering and delivers a loyal customer base. The network effects derived from the Proposed Acquisition will therefore drive increased services per customer, higher customer retention rates and a greater customer life-time value.

## COMPELLING FINANCIAL RETURNS<sup>12</sup>

In addition to delivering on many of Eurowag's strategic objectives, the Board places great importance in ensuring that the financial profile of any acquisition is additive to the Group and delivers compelling returns to shareholders over the short to medium term.

Inelo offers a compelling headline financial profile, delivering revenues of €26.8 million for the period to 31 December 2021, representing year-on-year growth of 40.6%. This growth was underpinned by long-term market tailwinds of increased regulation and digitisation of the CRT industry, as well as the successful execution of Inelo's M&A strategy. In September 2021, Inelo completed the acquisition of CVS which delivered four months of financial impact to Inelo during 2021. For the year to 31 December 2021, Inelo delivered adjusted EBITDA of €10.4 million with an adjusted EBITDA margin of 38.7% (all figures based on audited Polish and Slovenian local GAAP).

For the six months to 30 June 2022, Inelo delivered revenues of €20.6 million representing growth of approximately 32.1% versus the comparable period to 30 June 2021, adjusted EBITDA of €9.0 million with an adjusted EBITDA margin of 43.8% (all based on unaudited Polish and Slovenian local GAAP). The momentum seen during the first half of 2022 was driven partly by the full contribution of the acquisition of CVS, as well as strong operational execution and continuing market tailwinds.

### Inelo Key Financial Information

<i>All figures EURm</i>	2020 <sup>(13)</sup>	2021 <sup>(14)</sup>	H1 2022 <sup>(15)</sup>
<b>Revenue</b>	<b>19.0</b>	<b>26.8</b>	<b>20.6</b>
<i>Year on Year Growth</i>		40.6%	32.1%
<b>Adjusted EBITDA</b>	<b>8.0</b>	<b>10.4</b>	<b>9.0</b>
<i>Adjusted EBITDA Margin</i>	41.9%	38.7%	43.8%

Inelo's revenues are also largely derived from subscription-based revenues which are recurring in nature and make up approximately 80% of Inelo's overall revenues. For the year ended to 31 December 2021, 54% of Inelo's revenues were derived from its FMS, 40% from its WTM software and outsourcing, and 5% from TMS (all based on audited Polish and Slovenian local GAAP). Inelo's revenues will all sit within the Enlarged Group's mobility solutions segment following Completion and will therefore materially increase the proportion of the Enlarged Group's revenues derived from mobility solutions with approximately 40-50% of future revenue expected to be generated by the Enlarged Group's mobility solutions division in the near term.

Following Completion, the Group anticipates it will be able to deliver significant cross-selling and up-selling of Eurowag products to Inelo customers and vice versa.

The Proposed Acquisition is expected to deliver double digit adjusted earnings accretion in the first full year of Eurowag's ownership with accretion expected to rise in subsequent years as the Group delivers on the revenue cross-selling opportunities.

<sup>12</sup> All financial information relating to Inelo contained in this announcement has been prepared in accordance with Polish and Slovenian local GAAP. Such financial information will be subject to a conversion to IFRS and the Group's accounting policies to the extent possible and, therefore, may be different when presented in the Circular. Further information on the adjustments from local GAAP to IFRS can be found in Appendix B to this announcement.

<sup>13</sup> Based on a EUR:PLN average exchange rate for the year to 31 December 2020 of 4.44.

<sup>14</sup> Inelo 2021 financials include four months of contribution from acquisition of CVS. Based on a EUR:PLN average exchange rate for the year to 31 December 2021 of 4.57 and for the year to 31 December 2020 of 4.44. Growth based on Euros to Euros.

<sup>15</sup> Based on a EUR:PLN average exchange rate for the 6 months to 30 June 2022 of 4.63 and for the 6 months to 30 June 2021 of 4.41. Growth based on Euros to Euros. H1 2022 includes a full contribution of CVS.



For the period to 31 December 2021, Inelo generated profit before tax of PLN5.1 million with gross assets of PLN517.9 million, €1.1 million and €113.0 million respectively (all based on audited Polish and Slovenian local GAAP)<sup>16</sup>.

All financial information related to Inelo within this announcement are presented in Polish and Slovenian local GAAP. The Inelo historical financial information presented in the Circular will be shown under IFRS and in line with the Group's accounting policies to the extent possible. Further information on the adjustments from Polish and Slovenian local GAAP to IFRS can be found in the Appendix to this announcement.

## CURRENT TRADING AND OUTLOOK

The Group has separately announced a Q3 trading update today.

Whilst Eurowag has navigated with confidence through the challenging environment, the Board notes that there are elevated risks and uncertainties with respect to the future of the European economy, and potential impacts of the sanctions related to imports of Russian oil introduced by the European Commission. Notwithstanding these headwinds, following the completion of the Proposed Acquisition, Eurowag expects to continue to deliver organic net revenue growth of between high teens and low twenties per cent over the medium-term. The Proposed Acquisition significantly increases the revenue contribution to the Group from the mobility solutions segment, which has lower operational gearing, but generates naturally more recurring revenues. Consequently, the change in the revenue mix may impact the pace of the margin expansion of mid-forties trending to high-forties per cent. over the medium-term.

The Group continues to expect transformational capex to be €50m in aggregate for 2022 to 2023 and ordinary capex to be approximately a high single digit percentage of net revenue over the medium term. The Group expects to exceed the top end of its leverage target by around half a turn of adjusted pro-forma EBITDA on completion of the Proposed Acquisition, and return back to the leverage target range of 1.5x to 2.5x in the near term.

Inelo has continued to trade in line with management expectations during H2 2022.

## KEY TERMS OF THE PROPOSED ACQUISITION

On 24 October 2022, INNOVA/6 SCA SICAV-RAIF ("Innova"), European Telematics Holding SCA and Jakub Gieruszczak, Mirosław Stocierz, Magdalena Magnuszewska, Bartosz Najman, and Marcin Siech (collectively the "Vendors") entered in to a binding agreement (the "Acquisition Agreement") pursuant to which W.A.G. payment solutions, a.s. (the "Purchaser") has agreed to acquire and the Vendors have agreed to sell all of the outstanding issued share capital of Grupa Inelo S.A. The Acquisition Agreement is governed by Polish law.

The consideration payable under the Acquisition Agreement by the Purchaser in respect of the Proposed Acquisition comprises of equity cash consideration of €224 million and adjusted net debt of approximately €70 million of which up to €58 million<sup>17</sup> of debt will be repaid (subject to certain closing adjustments) on Completion. In addition, a deferred consideration of up to €12.5 million is payable where Inelo's Adjusted EBITDA for the 12 month period to 31 December 2022 is €18 million or higher. Inelo's Adjusted EBITDA 2022 shall be calculated using a fixed EUR/PLN exchange rate of 4.6 and based on the consolidated financial statements of Inelo for the financial year ending 31 December 2022 prepared and audited in accordance with Polish GAAP and other applicable accounting rules applying specific policies agreed among the parties.

Completion is conditional, amongst other things, upon:

- a) Approval from relevant foreign direct investment regulatory bodies and antitrust authorities in Poland, Slovenia and North Macedonia;
- b) The passing of a resolution approving the Proposed Acquisition by shareholders of Eurowag at a general meeting convened for such purpose;
- c) Receipt of a pay-off letter in relation to the Inelo's existing financial indebtedness; and
- d) The registration of an increase of Inelo's share capital by the relevant registry court in order to implement an employee share incentive program and issuance of shares to certain Inelo managers (together the "**Conditions**").

If the Conditions are not satisfied or otherwise waived by the Purchaser within five months after the signing of the Acquisition Agreement (the "Long Stop Date"), each of Innova and the Purchaser shall have the right to terminate the Acquisition Agreement for a period of 30 business days following the Long Stop Date. In the event that the

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<sup>16</sup> Based on EUR/PLN average exchange rate for the year to 31 December 2021 of 4.57 for profits before tax and EUR/PLN exchange rate of 4.58 as at 31 December 2021 for gross assets.

<sup>17</sup> €50 million of debt payable on completion (at the locked box date and is subject to adjustment depending on date of completion) which is likely to rise to €58 million following the completion of Inelo's ongoing acquisition of another company.

Circular has not been approved by the FCA by the Long Stop Date, the Long Stop Date shall be extended by 4 months.

The Purchaser is entitled to terminate the Proposed Acquisition in the event of: (i) a material adverse effect relating to Inelo occurring; (ii) the escalation of the Russian invasion of Ukraine; or (iii) a breach of certain fundamental warranties by the Vendors relating to capacity, title to the shares and insolvency. The Vendors' liability under the Acquisition Agreement is several and not joint.

Innova and the Purchaser each have the right to terminate the Acquisition Agreement within 60 business days if the Completion actions under the Acquisition Agreement are not performed. If the Acquisition Agreement is terminated by Innova as a result of certain obligations in respect of the Circular and Eurowag shareholder approval not being satisfied, the Purchaser and the Vendors shall be required to pay to a respective party a guarantee payment in the amount of €6 million (subject to certain exclusions regarding the minority Vendors). The Acquisition Agreement also includes certain non-compete and non-solicit covenants given by the Vendors.

## **SHAREHOLDER APPROVAL**

The Proposed Acquisition is a Class 1 transaction for Eurowag under the Listing Rules. A Circular, which is required to be approved by the FCA, containing further details on the Proposed Acquisition, the voting recommendation of the Board and the notice convening a general meeting of the shareholders of Eurowag to vote on the Resolution is expected to be posted to shareholders in December 2022. The Board intends to recommend that its shareholders vote in favour of the Resolution.

Martin Vohánka, TA Associates<sup>18</sup> and certain members of the Board who hold shares have each irrevocably undertaken to vote in favour of the Resolution and such undertakings, collectively, represent in excess of the minimum voting rights expected to be required to pass the Resolution (being 50%+1).

## **FINANCING THE TRANSACTION**

The Company proposes to finance the Proposed Acquisition using existing and available resources:

- €180 million derived from the Group's recently announced committed facility<sup>19</sup> for permitted acquisitions and capital expenditure, used to satisfy both a portion of consideration and the funds required to repay the existing net debt at Inelo; and
- The remainder of the consideration will be financed using existing cash resources within the Group.

Eurowag expects to exceed the top end of its leverage target by around half a turn of adjusted EBITDA pro-forma on the transaction completion, and return back to the average leverage target range of 1.5x to 2.5x in the near term. As set out at the time of IPO, the Group retains the flexibility to go above this range when undertaking strategically and financially attractive acquisitions. The Group is confident in the deleveraging profile of the Enlarged Group and expects net leverage to be within the medium-term target range in the near-term.

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<sup>18</sup> Shares held through Bock Capital EU Luxembourg WAG S.à r.l., a vehicle affiliated with TA Associates.

<sup>19</sup> €180m committed Facility B for permitted acquisitions and capital expenditure as announced by the Group on 22nd September 2022.

## **IMPORTANT NOTICE**

The contents of this announcement have been prepared by and are the sole responsibility of Eurowag.

No statement in this announcement is intended as a profit forecast and no statement in this announcement should be interpreted to mean that (i) the future earnings per share, profits, margins or cash flows of the Enlarged Group will necessarily match or be greater than the historical published earnings per share, profits, margins or cash flows of the Group; or (ii) that Eurowag endorses the equity research analyst consensus referred to herein.

Jefferies International Limited ("Jefferies"), which is authorised and regulated in the UK by the FCA, is acting for the Company and no-one else in connection with the Proposed Acquisition. In connection with such matters, Jefferies, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client in relation to the Proposed Acquisition and will not be responsible to any person other than the Company for providing the protections afforded to clients of Jefferies or for the giving of advice in relation to the contents of this announcement, the Proposed Acquisition or any transaction, arrangement or other matter referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed upon Jefferies by the Financial Services and Markets Act 2000 (as amended) or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, Jefferies accepts no responsibility whatsoever or makes any representation or warranty, express or implied, concerning the contents of this announcement, including its accuracy, completeness or verification, or concerning any other statement made or purported to be made by Jefferies or on its behalf, in connection with the Company or the Proposed Acquisition, and nothing in this announcement is, or shall be relied upon as a promise or representation in this respect, whether as to the past or future. Jefferies accordingly disclaims, to the fullest extent permitted by law, all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to herein) which it might otherwise have in respect of this announcement or any such statement.

This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial position, liquidity, prospects, growth, strategies, integration of the business organisations and achievement of anticipated combination benefits in a timely manner. Forward-looking statements speak only as of the date they are made.

Such forward-looking statements are based on beliefs, expectations and assumptions of the Board regarding Eurowag's present and future business strategies, the timetable for integration of Inelo, the benefits to be derived from the Proposed Acquisition and the environment in which Eurowag, Inelo and/or, following Completion, the Enlarged Group will operate in the future. Although the Board believe that these beliefs and assumptions are reasonable, by their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future or are beyond the Group's control. Eurowag, Inelo and/or, following Completion, the Enlarged Group's actual operating results, financial condition, dividend policy and the development of the industry in which they operate, as well as the benefits and combination benefits actually received, may differ materially from the impression created by the forward-looking statements contained in this announcement. In addition, even if the operating results, financial condition and dividend policy of Eurowag, Inelo and/or, following Completion, the Enlarged Group, and the development of the industry in which they operate, are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods.

You are advised to read this announcement and any circular (if and when published) in their entirety for a further discussion of the factors that could affect Eurowag and/or the Enlarged Group's future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this announcement may not occur.

This announcement does not constitute, and should not be construed as, an offer to purchase or sell or issue securities, or otherwise constitute an inducement, invitation, commitment, solicitation or recommendation to any person to purchase, subscribe for, or otherwise acquire securities in Eurowag or any of its affiliates, or constitute an inducement to enter into any investment activity in any jurisdiction. Nothing contained in this announcement is intended to, nor shall it, form the basis of, or be relied on in connection with, any contract or commitment whatsoever and, in particular, must not be used in making any investment decision.

Certain data in this announcement, including financial information, has been rounded. As a result of the rounding, the totals of data presented in this announcement may vary slightly from the actual arithmetic totals of such data.

Neither the content of Eurowag's website (or any other website) nor any website accessible by hyperlinks on Eurowag's website (or any other website) is incorporated in, or forms part of, this announcement.

Save as required by the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules, the Listing Rules or by applicable law, each of Eurowag and Jefferies and their respective affiliates expressly disclaims any intention, obligation or undertaking to update, review or revise any of the information or the conclusions contained herein, including forward looking or other statements contained in this announcement, or to correct any inaccuracies which may become apparent whether as a result of new information, future developments or otherwise.

The person responsible for arranging the release of this announcement is Tomáš Novotný (Head of Investor Relations).

## APPENDIX A: SOURCES AND USES

Unless otherwise stated, financial information relating to the Group has been extracted or derived from the audited results for the twelve months ended 31 December 2021 (prepared in accordance with IFRS). Financial information relating to Inelo has been extracted or derived from the audited results for the twelve months ended 31 December 2021 (prepared in accordance with Polish and Slovenian local GAAP).

All financial information relating to Inelo contained in this announcement has been prepared in accordance with Polish / Slovenian local GAAP. Such financial information will be subject to a conversion to IFRS and the Group's accounting policies to the extent possible and, therefore, may be different when presented in the Circular. Further information on the adjustments from local GAAP to IFRS can be found in Appendix B.

In this announcement, "€" or "EUR" shall mean euros, being the lawful currency of the Member States of the European Union which have adopted it as their currency, "PLN" shall mean złoty, being the lawful currency of Poland.

Where applicable, amounts shown in € or PLN are calculated based on data provided by Bloomberg as at the time, or for the period, as stated throughout this announcement.

## APPENDIX B: HISTORICAL FINANCIAL INFORMATION AND IFRS CONVERSION

All financial information relation to Inelo within this announcement is presented in Polish and Slovenian local GAAP. The Inelo historical financial information required under the Listing Rules presented in the Circular will be shown under IFRS and in line with the Group's accounting policies to the extent possible. Set out below are the material differences between IFRS accounts prepared in line with Eurowag's accounting policies and those of Polish and Slovenian local GAAP under which Inelo's accounts have been prepared historically.

### *Material differences between Polish GAAP and Eurowag's IFRS accounting policies*

As the IFRS transition exercise is incomplete there may be additional differences not noted below:

1. Statement of Comprehensive Income, Statement of Financial Performance and Statement of Cash flow Statement Presentation
  - a. The presentation of certain profit or loss, statement of other comprehensive income, statement of financial position and statement of cash flow line items may be realigned to conform to Eurowag presentation.
2. Purchase price allocation and goodwill
  - a. There are differences that exist between Polish GAAP and IFRS in the accounting for business combinations, including the identification of intangible assets (e.g., relationship with customers). Further, under Polish GAAP goodwill arising from business combinations can be amortized annually whereas at least annual impairment reviews are required under IFRS.
3. Written puts/forwards over shares held by NCI
  - a. There are differences that exist between Polish GAAP and IFRS in recognition and measurement of written puts and forwards over shares held by non-controlling interest. Under IFRS such instruments are recognized as a liability and measured at the present value of the redemption amount debiting other equity.
4. Lease accounting
  - a. There are differences that exist between Polish GAAP and IFRS in accounting for leases, in particular IFRS requires the recognition of a lease liability and right of use asset for all leases regardless of lease classification. Further, under Polish GAAP there is different lease definition generally resulting in relatively lower number of contracts accounted for as leases as compared to IFRS.
5. Share-based payments
  - a. Polish GAAP do not provide any specific guidance for accounting of share-based payments. Inelo Group under Polish GAAP did not recognize equity settled share-based payments whereas IFRS require to recognize them in the financial statements. Under IFRS equity settled share-based payments are initially measured at the grant date's fair value and subsequently expensed over the vesting period using graded-vesting schedule.
6. Revenue recognition
  - a. Polish GAAP provide only general requirements for revenue recognition whereas under IFRS there is a detailed 5-step model applied as well as there is a specific application guidance for special topics such as revenue from licensing of intellectual properties, what can create numerous differences between Polish GAAP and IFRS.

- b. For example, under IFRS 15 revenue recognition model entity identifies performance obligations (“POs”) existing in the contract with customer. Depending on the nature of the promises in the contract with customer some of them might be combined with others or separated for revenue recognition resulting in different moment/pattern of revenue recognition and/or change in revenue streams presented in the financial statements.
  - c. Under IFRS 15 revenue from licensing of intellectual properties is recognized either over time if the contract provides customer with the right to access or at a point in time if the contract provides customer with the right to use of intellectual property.
- 7. Costs to obtain a contract with customer
  - a. Polish GAAP do not provide any specific guidance for accounting of costs incurred to obtain a contract with customer. Inelo Group under Polish GAAP does not recognize an asset from costs to obtain a contract with customer, they are recognized in profit or loss when incurred whereas IFRS generally require recognizing them on-balance.
  - b. Under IFRS incremental costs incurred to obtain contract with customer are recognized to asset and amortized over the term of the contract (including term of anticipated contracts) using the pattern consistent with pattern of revenue recognition applied for POs identified in contract with customer.
- 8. Accounting for debt
  - a. There are differences that exist between Polish GAAP and IFRS in accounting for debt, specifically in terms of amortized cost application and accounting for debt modifications.
- 9. Expected credit loss
  - a. There are differences that exist between Polish GAAP and IFRS in measurement of impairment loss on financial assets. Under Polish GAAP impairment loss on trade receivables is measured for incurred loss whereas IFRS require entities to determine expected credit loss resulting generally in accelerated recognition of impairment losses.
- 10. Income taxes
  - a. There are differences that exist between Polish GAAP and IFRS in the accounting for income taxes, including the presentation of deferred taxes.

*Material differences between Slovenian GAAP and Eurowag’s IFRS accounting policies*

As the IFRS conversion exercise is at this stage not yet completed, there may be additional differences not noted below:

- 1. Statement of Comprehensive Income, Statement of Financial Performance and Statement of Cash flow Statement Presentation
  - a. The presentation of certain profit or loss, statement of other comprehensive income, statement of financial position and statement of cash flow line items may be realigned to conform to Eurowag presentation.
- 2. Initial measurement of long-term liabilities
  - a. Under Slovenian GAPP CVS Group recognizes interest-free long-term liabilities at nominal value of future payments. Under IFRS such instruments are financial liabilities which are initially measured at fair value and generally at amortized cost subsequently.
- 3. Expected credit loss
  - a. There are differences that exist between Slovenian GAAP and IFRS in measurement of impairment loss on financial assets. Under Slovenian GAAP impairment loss on trade receivables is measured for incurred loss whereas IFRS require entities to determine expected credit loss resulting generally in accelerated recognition of impairment losses.