Powersoft to acquire K-Array



Powersoft S.p.A. ("Powersoft"), at the head of a technology group ("Powersoft Group") operating worldwide in pro-Audio systems and listed on Euronext Growth Milan, announces the signing today of a binding investment agreement (the "Agreement") to acquire from H.P. Sound Equipment S.p.A. ("HP Sound" or the "Seller") 51% of the share capital of K-array S.r.l. ("K-array" or the "Company"), specialized in the design and manufacture of innovative high-performance, compact design audio systems for a wide range of applications (the "Transaction"). The Agreement also envisages the mutual granting of call and put options in favour of Powersoft and HP Sound, respectively, on the remaining 49% of K-array’s share capital. The closing of the transaction is, to date, expected by March 2025.

Luca Lastrucci, CEO of Powersoft (right in picture): "We are excited to announce this acquisition, a significant strategic step for our company and the professional audio market. This transaction arises from a successful partnership between two companies that have been collaborating for many years now, with a strong territorial proximity and sharing a creative and innovative spirit, both convinced of the potential to create important product and technological synergies. We plan to enrich our portfolio with cutting-edge products, leveraging the expertise and resources of K-array to develop new integrated audio solutions for an ever-evolving

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market. The synergy between Powersoft and K-array is set to generate significant results in technological innovation, allowing us to strengthen our presence in the segments where we already operate while also expanding into new areas. We can't wait to start working with K-array to set new and even higher standards of excellence”.

Alessandro Tatini, Chairman and CEO of K-array: "Massimo Ferrati (CEO and co-founder, left in picture) and I decided on this strategic step to integrate our company into a solid and constantly growing group like Powersoft. Our intention is to empower our resources, now over 100 and among the most qualified on the market, for a promising future filled with opportunities and success. In addition to growth in numbers, the goal is to strengthen a solid and cohesive foundation capable of tackling future challenges with greater resilience and determination. Our team has been integral to our growth journey, and we believe it is our responsibility to provide them with an even more ambitious vision for our project. We have been collaborating with Powersoft since the beginning, and beyond being neighbours and sharing an identity deeply rooted locally yet globally oriented, we are united by a strong passion for technology and sound. Their innovations have always been an essential part of our work, making it obvious to realize that joining forces could add significant value to the growth that, in recent years, has been in double digits, bringing us immense satisfaction. We are confident that this partnership will allow us to achieve incredible results in synergy. We are excited and eager to unleash our full creativity and potential”.

K-array, founded in 2005 and headquartered in Scarperia e San Piero (Florence), is active in the design and manufacture of innovative high-performance, compact design audio systems for a wide range of applications. The Company, with over 100 highly qualified resources, operates primarily through 3 brands targeting different market segments: (i) K-array, the Company's main brand focused on audio professionals, (ii) K-Gear, dedicated to traditional and more affordable audio solutions, and (iii) K-Scape, specializing in high-quality audio and lighting systems that combine sound and lighting excellence with sophisticated design.

K-array offers a comprehensive portfolio of innovative, ultra-compact, high-performance audio and speaker systems for small, medium, and large applications, including touring, events, installations, transportation, and broadcast. Specifically, it manufactures and installs integrated solutions that include acoustic speakers, amplifiers, lighting, and accessory products such as microphones and earphones. K-array’s share capital is currently 100% owned by HP Sound, in turn owned by K-array’s founders and Management, specifically 53.7% by Gioia S.r.l. and 28.3% by Massimo Ferrati.

K-array’s revenue at December 31, 2023 amounted to approximately Euro 19.0 million, with a reported EBITDA of approximately Euro 3.7 million. Based on the preliminary results at December 31, 2024, K-array expects revenue of approximately Euro 22.1 million (up more than 16% versus the prior year) and EBITDA of approximately Euro 6.6 million (+76%). The net financial position at

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December 31, 2024 is impacted by the transfer to K-array (made under the Transaction) of intellectual property rights and certain HR and Accounting employees from HP Sound.

The K-array Acquisition Transaction is fully aligned with Powersoft Group's strategic development plan, which aims to strengthen its presence in the pro-Audio sector through both organic growth and acquisitions, as outlined since the IPO. It also represents the logical development of a long-established "supplier-customer" partnership between two companies that share common values: technological innovation, excellence, creativity, design, customer focus, and product quality. The goal is to leverage their complementary strengths, boosting competitiveness and fostering growth, while preserving their distinct identities and operational autonomy within a shared growth plan. Currently, Powersoft is set to continue its mission as a global technology provider, while K-array will maintain its unique positioning in the high-end audio speaker industry.

The acquisition is also part of Powersoft's growth strategy to transform the Group from a Product Company to a Solution Provider, with a primary focus on the transportation and automotive sectors, where technological innovation, efficiency, and the reliability of audio systems play a key role. Mention should be made in this regard of the recent technology partnership signed with Ferrari S.p.A., which marked Powersoft's entry into the supercar industry, establishing a remarkable reference in the automotive sector.

By combining its know-how in amplification systems, signal processing, and transducers with K-array's expertise in compact, high-performance loudspeaker engineering and design, Powersoft will be able to accelerate its expansion in these markets and strengthen its position by offering innovative, efficient, and uniquely designed audio systems. These systems will meet the growing demands for quality, reliability, and space optimization required by the automotive industry and modern transportation systems.

The combination will also open up new joint business opportunities and allow for the expansion of business offerings into new market segments within the Powersoft portfolio. The combined presence of the two companies through their distribution networks will also drive greater penetration in high-growth markets such as Asia and Latin America, further consolidating the Group's global positioning.

The acquisition of K-array also represents a significant dimensional leap for Powersoft Group, which, based on the operating-financial figures from the financial statements at December 31, 2023, achieves an estimated pro-forma aggregate turnover of approximately Euro 88 million, with an estimated pro-forma EBITDA nearing Euro 24 million, counting on approximately 300 professionals, among the most experienced in the industry.

This transaction creates a leading group in the professional audio industry on an international scale, leveraging a wide range of products, technological expertise,

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and the innovative approach of two highly complementary companies. The combination of the two companies is expected to drive a potential increase in volume, with positive impacts on margins, while maintaining strong financial health and cash flow. The combination will also enable the prioritization of revenue synergies through enhanced product diversification, expanded target markets, and greater geographical reach. Additionally, the collaboration between the R&D teams of both companies will accelerate the development of next-generation audio systems, in line with the latest market trends, especially for new transducer applications.

Terms and conditions of the Transaction

Object and consideration

The Agreement signed between Powersoft and HP Sound outlines the acquisition by Powersoft of 51% of the share capital of K-array (the "K-array Stake"), to which HP Sound transferred, before the signing of the Agreement, the intellectual and industrial property rights, along with any other assets held used by K-array in its business operations, as well as certain employees in the administrative and HR departments. The Agreement also includes HP Sound’s commitment to transfer to K-array, before the closing, 50% of the share capital of K-array USA LLC, a company under U.S. law, active in the distribution of K-array products in the United States.

The price for the acquisition of the K-array Stake (the “Stake Price") is based on (i) an Enterprise Value of 100% of K-array equal to Euro 50 million (determined using methodologies typically employed in similar transactions involving industrial companies) and (ii) a net financial position of K-array, as defined in the Agreement (the "NFP"), estimated at the closing date and subject to an adjustment procedure in line with market practice. As of the date of the signing of the Agreement, therefore, the Stake Price is Euro 25.5 million assuming a neutral net financial position of K-array, the latter, however, will be subsequently estimated at the date of the closing and will be subject to a post-closing adjustment procedure provided for in the Agreement.

Under the Agreement, HP Sound has, inter alia, agreed to reinvest part of the Stake Price by subscribing to 300,000 newly-issued Powersoft shares that will be valued at the greater of (i) the arithmetic average of the official price of Powersoft’s share in the 30 (thirty) days before the closing date and (ii) a floor value of the share equal to Euro 14.5 (fourteen point five) per share (the "Reinvestment Amount"). Powersoft's Extraordinary Shareholders' Meeting to resolve on the share capital increase with the exclusion of the pre-emptive right reserved for the shareholder of K-array (HP Sound) in an amount, including share premium, equal to the Reinvestment Amount, should be held, pursuant to the Agreement, within 40 days from the closing date. The 300,000 Powersoft shares will, in any case, be subject to lock-up for a period of 18 months from closing.

The K-array Stake Price will be paid as follows:

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- (i) 60% of the Stake Price minus the Reinvestment Amount will be paid in cash on the closing date;
- (ii) the Reinvestment Amount will be due on the date when Powersoft's Extraordinary Shareholders' Meeting resolves on the reserved share capital increase, which will, therefore, be subscribed by HP Sound by offsetting the Reinvestment Amount against the relevant subscription price;
- (iii) the remaining 40% of the Stake Price will be paid in cash in 4 equal annual tranches starting on the first anniversary of the closing, on which no interest will accrue.

The Agreement envisages the recognition to HP Sound of (i) a contingent earn-out of Euro 4 million subject to the achievement of certain targets at the level of both Powersoft Group and K-array stand alone based on the results of Powersoft and K-array at December 31, 2027, as well as (ii) a further contingent earn-out of Euro 8 million subject to the achievement of certain targets at the level of both Powersoft Group and K-array stand alone based on the results of Powersoft and K-array at December 31, 2030.

The Agreement also provides for (i) the granting to Powersoft of a call option on the remaining 49% of K-array’s share capital exercisable within 60 days after the approval of K-array’s financial statements at December 31, 2030; and (ii) the granting to HP Sound of a put option on the same 49% of K-array’s share capital exercisable from the 61st to the 120th day after the approval of K-array’s financial statements at December 31, 2030, if Powersoft has not exercised the call option. The Agreement also gives both parties the right to accelerate the exercise of their option in the event of a change of control of Powersoft or K-array or decision deadlock in the Company's Shareholders' Meeting or Board of Directors, as well as the right for HP Sound to accelerate the exercise of its put option in the event of changes to K-array’s business plan that have not been approved by HP Sound's appointed directors.

The consideration to be paid by Powersoft to HP Sound, if the put option or call option is exercised (the "Strike Price”), will be equal to 49% of the Equity value of K-array determined on the basis of (i) the Enterprise Value of 100% of K-array equal to Euro 50 million and (ii) the Company's final NFP at closing as determined as a result of the adjustment procedure under the Agreement. In the exclusive case of acceleration of the put option by HP Sound due to changes in K-array’s business plan that have not been approved by HP Sound's appointed directors, a premium is added to the Strike Price as a percentage of the Strike Price itself, which decreases over time, ultimately reaching zero in the case of accelerated exercise of the put option as from January 1, 2030. At present, Powersoft plans to finance the acquisition primarily through bank financing, for which a favourable resolution has already been obtained from a leading bank, with the remaining portion to be covered by existing cash funds available.

Conditions precedent

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The completion of the acquisition, expected by end March 2025, is subject to the fulfillment of certain conditions precedent typical for this type of transaction, including the absence of events that could significantly impact K-array’s business or operating-financial position.

Governance

The parties have agreed to sign a shareholders' agreement at closing which, inter alia, stipulates that K-array’s Board of Directors will consist of a total of 5 members, 3 of whom are Powersoft appointees, including the Chairman, and the appointment, for the three-year period 2025-2027, of Alessandro Tatini and Massimo Ferrati, controlling shareholders of HP Sound, to the roles of CEO and CFO of K-array, respectively, with the possibility of reappointment for the following three-year period under certain conditions. The Board of Statutory Auditors will consist of 3 members, 2 of whom will be appointed by Powersoft and 1, who will serve as Chairman, by HP Sound.

The terms of these relationships will be outlined in two contracts to be signed on the execution date of the Agreement. These contracts will include, inter alia, non-compete and non-solicitation commitments from the directors, as well as the terms for early termination of the relationship, distinguishing between good leaver or bad leaver scenarios. The shareholders' agreement also includes certain veto rights in favour of HP Sound, tag along and drag along clauses for the duration of the exercise period of the put/call options (or until the date of their exercise, if any).

The Transaction qualifies as a significant transaction under Article 12 of the Euronext Growth Milan Issuer Regulation (the "EGM Issuer Regulation"). Therefore, this press release contains the information set forth in Sheet Four of the EGM Issuer Regulation.

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