

Acquires the fifth target in 2023

Kontron has announced to acquire BSQUARE for USD 38m (=EUR 36m), which is active in developing and deploying software technologies for the makers and operators of connected devices. The company is listed at the NASDAQ, and the offered USD 1.90 represent a premium of 62% over the 52-week VWAP of the BSQUARE share. According to Factset, the company realized LTM sales of EUR 30m at the end of H1 2023 but is loss-making at the EBITDA level since a couple of years. Given a cash position of EUR 30.6m on balance sheet on June 30th, the purchase price translates into an EV / sales multiple of 0.18x. Thus, the transaction appears like a typical acquisition of the "old" Kontron, although the "new" Kontron (ex IT Service) has turned to higher quality targets with the recent four acquisitions in 2023. Given Kontron's track record with turn-around cases, we believe the risk that comes with the BSQUARE acquisition is manageable, though. We note that Kontron continue to deliver on its acquisition targets in 2023 and rate the stock a buy, PT EUR 29.

More information on the transaction:

- Coca Cola and Paccar (trucks) are among BSQUARE's customers.
- The transaction is supported by the BSQUARE management.
- Kontron expects strong synergies with its "susietec" (IoT software) offering in the US and expects ~EUR 10m of additional sales in the region in the next 3 years.
- 17% of the shares have already been tendered.
- The closing is expected until the end of 2023. Upon completion, the shares will be delisted.

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