Hexagon AB – Greenbridge Gaslighting

Greenbridge absurdly denies the related party nature of its relationship with Hexagon, protecting management's reputation at the expense of shareholders.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 6

July 24, 2023 – On Sunday, July 23, Greenbridge released a statement[1] in response to Viceroy Research's report on Hexagon AB: Six Sides to Every Story (the **Report**).

A copy of the Report can be found in the link below:

https://viceroyresearch.org/2023/07/19/hexagon-ab-six-sides-to-every-story/

This note will dissect Greenbridge's statement. We remind readers that Greenbridge is substantially owned by Rollén, Schörling, a number of Hexagon insiders, a number of inner circle exclusive Hexagon distributors, and friends of Schörling, who also own Hexagon. **It is not difficult to conclude that this response is that of Hexagon.**

Again looking after their own self-interest: **Hexagon management and Board members have acted to protect the reputation of Greenbridge ahead of issuing a regulated news service response on behalf of Hexagon.** Ola Rollén has even retweeted Greenbridge.

- Viceroy genuinely believed Greenbridge front-ran Hexagon's Divergent Technologies investment. It seemed somewhat less idiotic than the alternative:
- Hexagon management have "double-dipped" in Divergent by taking greater personal stakes ahead of Hexagon shareholders. We also note that it appears **Greenbridge's stake appears to have been originally slated to Hexagon.**
  - In an apparent faux pas: **Divergent initially reported that it expected $200m Series D investment from Hexagon on Dec 8, 2022.** A week later, Hexagon reported that it had invested only $100m in Divergent.
  - Mere months later, **Greenbridge's investment vehicle, Blackbird, appears to have invested substantially all of the balance**.
  - The **Blackbird investment vehicle was created a week before Hexagon's investment in Divergent for the sole purpose of investing in Divergent.**
- **There is no better demonstration of Hexagon management's spurious understanding of ethics and corporate governance than a claim from Greenbridge**, which is owned and controlled by Hexagon insiders, that it is not a related party of Hexagon. It is comical.
- True to form, Greenbridge end their statement by cherry-picking that "only 3 of the 13 current members of the Hexagon executive management team" are direct shareholders of Greenbridge. While technically true, **this does not consider recent resignations of the CEO, CFO, CTO, nor does it consider that board members are not executive management**. Greenbridge is substantially owned by Hexagon insiders.

Viceroy stands behind our work. We believe **that Greenbridge's investment in Divergent represents an unjust advantage at the expense of shareholders**. The intention of this investment is self-enrichment. It is material. We believe this constitutes fraud.

As we have already reported: we believe Hexagon's governance failure in an ecosystem where interests of minority shareholders have been largely ignored will be (and should be) subject to **intense scrutiny by auditors and analysts alike.**

That analysts who have responded to Viceroy's original reports suggest governance issues are "well-known" and do not see a problem with the **brazen conflict of interests presented at Hexagon is a concern in itself**. Ethics is literally the capstone of every professional business qualification.

[1] https://static1.squarespace.com/static/64623d9b7aa09c6ae3946daa/t/64bd7a5b1c33165ca935bf61/1690139228100/Greenbridge+Statement+on+Viceroy+allegations+23+July+2023.pdf

The Report

We revisit the following from the Report:

> In classic Hexagon fashion: no details of the transaction, Divergent's financials, or even the percetage of Hexagon's acquired interest in Divergent were made public.
>
> What we do know is that after Hexagon management independently invested in Divergent through Greenbridge, the same management team thought it would be clever to invest in Divergent again with shareholder funds. Management have either:
>
> - Double dipped in Divergent by taking personal stakes in the business ahead of stakeholder interests, and
> - Commited an act of self enrichment through undisclosed related party transcations between Hexagon and Divergent.
>
> To Viceroy, **this constitutes fraud**, which is similarly defined across IFRS countries as:
>
> 12. For purposes of the ISAs (UK), the following terms have the meanings attributed below:
>
>   (a) Fraud – An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.
>
> *Figure 12 – Divergent Is Valued at Over $1 Billion in Hedosophia-Led Funding[10]*

Figure 1 – Hexagon: Six Sides to Every Story

We note the following:

- Viceroy genuinely believed Greenbridge front-ran Hexagon's Divergent Technologies investment. It seemed somewhat less idiotic than the alternative.
- Hexagon management have "double-dipped" in Divergent by taking greater personal stakes ahead of Hexagon shareholders.

The outcome is the same. We believe the **transactions constituted undisclosed related party transactions per IAS 24**. We believe that Hexagon insiders have deceptively obtained an unjust advantage in their private interests at the expense of Hexagon shareholders.

We believe this constitutes fraud. This transaction is the result of glaring corporate governance failures, where personal interests of Hexagon management (including many former management) and Hexagon owners (including controlling owner, Schorling) no longer align with the interest of Hexagon shareholders.

> 12. For purposes of the ISAs (UK), the following terms have the meanings attributed below:
>
>   (a) Fraud – An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.

Figure 2 – FRC fraud definition[2]

[2] https://www.frc.org.uk/getattachment/e48499f2-b69b-4f45-8bef-762583eab1cd/ISA-(UK)-240-Final.pdf

Conflict

Greenbridge asserts that it did not front-run Hexagon, much the other way around. Greenbridge claims that it's investment in Divergent was a Series D investment in April 2023, a mere 4 months after Hexagon's $100m Series D investment.

> **Greenbridge has never been used to front-run any investments made by Hexagon.**
>
> - Greenbridge has only five investment holdings: (1) Neo4j, (2) nstech, (3) NEXT Biometrics, (4) Rus Savitar and (5) Divergent (including its subsidiary Czinger). Hexagon has never had any financial interest with respect to the first four of these holdings.
> - In relation to Divergent, Greenbridge invested in April 2023 – *after* Hexagon invested – and on an arm's length basis. Accordingly, this could not have been front-running.

> - Greenbridge's investment in Divergent was carried out *without* Hexagon's involvement. It was at arm's length, based on the same price and valuation as Hexagon's investment (in line with the many other Series D investors) and without favourable or Greenbridge-specific terms.

Figures 2 & 3 – Greenbridge Response to Viceroy Research

Hexagon management have "double-dipped" in Divergent by taking greater personal stakes ahead of Hexagon shareholders. We also note that it appears **Greenbridge's stake appears to have been originally slated to Hexagon.**

In an apparent faux pas: Divergent's management leaked to S&P that it had expected to receive **$200m** from Hexagon AB on December 8, 2022. One week later, Hexagon announces a its **$100m** investment: half the amount Divergent claimed it would receive from Hexagon.

> **Divergent Technologies Inc. announced that it expects to receive $199.999983 million in funding from Hexagon AB**
>
> December 08, 2022
>
> Share
>
> Divergent Technologies Inc. announced that it will issue 6,314,227 series D preferred shares of par value $0.00001 per share at a price of $31.6745 per share for gross proceeds of $199,999,983.1115 on December 9, 2022. The shares will be convertible into common shares at a fixed conversion price of $31.6745 per share. The round will be raised at a post-money valuation of $1,736,434,511.
>
> Share
>
> © S&P Capital IQ - 2022

> **Divergent Technologies Inc. announced that it has received $99.999976 million in funding from Hexagon AB**
>
> December 15, 2022
>
> Share
>
> On December 16, 2022, Divergent Technologies Inc. closed the transaction. The company has issued 3,157,113 series D preferred shares for gross proceeds of $99,999,975.7185 in the transaction. The transaction included participation from new investor Hexagon AB (publ).
>
> A portion of the transaction is subject to to certain regulatory approvals.
>
> Share
>
> © S&P Capital IQ - 2022

Figures 4 & 5 – Market Screener Divergent Announcements Dec 8 2022[3] & Dec 15 2022[4]

Four months later, Divergent appears to receive the balance (or substantially all of the balance) of the transaction from a Greenbridge controlled investment vehicle called "Blackbird". The Blackbird-71 was used as inspiration for the Czinger 21C: the hyper-car developed by Divergent's founder, Kevin Czinger.

The Blackbird investment vehicle also includes other institutional investors, who hold class B shares against Greenbridge's class A shares. We note that it appears Greenbridge was not only the investor but appears to have introduced capital to Divergent.

After allocating significant media and keynotes in Las Vegas relating to the importance of o Divergent, **it is absurd to suggest that management's private investment in Divergent did not constitute a brazen conflict of interest**.

We believe **that Greenbridge's investment in Divergent represents an unjust advantage at the expense of shareholders**. The intention of this investment is self-enrichment. It is material. We believe this constitutes fraud.

[3] https://www.marketscreener.com/quote/stock/HEXAGON-AB-6491358/news/Divergent-Technologies-Inc-announced-that-it-expects-to-receive-199-999983-million-in-funding-from-42645031/

[4] https://www.marketscreener.com/quote/stock/HEXAGON-AB-6491358/news/Divergent-Technologies-Inc-announced-that-it-has-received-99-999976-million-in-funding-from-Hexago-42586146/

“Not a Related Party”

There is no better demonstration of Hexagon management’s spurious understanding of ethics and corporate governance than a claim from Greenbridge, which is owned and controlled by Hexagon insiders, that it is not a related party of Hexagon. It is comical.

> - Greenbridge has extensively analysed whether Hexagon is a related party under IAS 24 and concluded that it is _not_ because none of the conditions in IAS 24.9(b)(i) to (viii) are met. This conclusion is also consistent with IAS 24.11(a).

Figure 6 - Greenbridge Response to Viceroy Research

IAS 24 is pretty straightforward: Greenbridge and Hexagon are controlled or jointly controlled by the same people (Rollén, Schörling). Failing control, both exercise significant influence over both Hexagon and Greenbridge.

True to form, Greenbridge end their statement by cherry-picking that “only 3 of the 13 current members of the Hexagon executive management team” are direct shareholders of Greenbridge.

> - Viceroy claims that “_most_ of Hexagon’s management have greater financial interests in Greenbridge than they do in Hexagon.” Yet page 9 of Viceroy’s report identifies just 3 of the 13 current members of the Hexagon executive management team as direct shareholders in Greenbridge. This is public information. We confirm that no other members of the Hexagon executive management team are UBOs of any of our shareholders.

Figure 6 - Greenbridge Response to Viceroy Research

Technically, this is true. Ola Rollen is no longer CEO, Robert Belkic is no longer CFO as of this month. Bo Pettersson is no longer CTO. This does not change the fact that Greenbridge shareholders almost entirely constitute Hexagon insiders.

Greenbridge Shareholders	UBO	Hexagon Link	Shares	%
Elsa Bonnier	Bonnier Group	Gun Nilsson director of Bonnier Group	74,163,974	9.15%
Certo AB	Robert Belkic	**CFO (former)**	4,087,497	0.50%
Citrava Invest Ltd	Kent Johnny Andersson	**M&S Computing Investments Inc (Intergraph)**	8,159,148	1.01%
Flamboyant Ltd			29,639,919	3.66%
FundRock Managament Company S.A.		Shareholder / Debtholder	6,274,938	0.77%
Norbert Hanke		**COO / Human Resources / IT Functions.**	3,137,469	0.39%
Alan Henneby		Greenbridge CFO	100	0.00%
Iskossala Ltd	Ola Rollen	**Director / Former CEO**	150,452,204	18.57%
Emannuel Lang		Greenbridge MP	1,170,844	0.14%
Li Hongquan		**President - China**	5,439,433	0.67%
M&V Kennedy Super Account	Malcolm Kennerdy	**Distributor / Subsidiary Director**	2,303,117	0.28%
Melker Schorling AB	Melker Schorling	**Major Owner**	154,427,059	19.06%
Monesi Forvaltning AB	Henrik Didner	**Nomination & election committee, Hexagon / Hexpol**	18,424,940	2.27%
Multi Spectrum One Inc		N/A	7,189,314	0.89%
Rollen Family Revocable Trust	Ola Rollen	**Director / Former CEO**	3,974,855	0.49%
Bo Pettersson		**CTO (former)**	5,527,481	0.68%
Ramsbury Invest AB	Persson Family	MSAB & Hexa shareholders	124,061,846	15.31%
SEB-Stiftelsen	Pension fund		51,812,178	6.39%
Mattias Stenberg		**President - Asset Lifecycle Division**	3,684,988	0.45%
UIE plc		Shareholder MSAB	78,424,852	9.68%
Veikko Laine Oy	Pasi Laine?	Gun Nilsson on Board of Konecranes with Pasi Laine	31,374,691	3.87%
Wasa Chip sarl	Stena AB		39,218,364	4.84%
West Investing			7,409,979	0.91%

Figure 7 – Viceroy Analysis

That Greenbridge think “just 3” members of the executive management team with conflicts of interest are acceptable is also laughable.

We note that despite quoting our assessment that “Hexagon’s management have greater financial interests in Greenbridge than Hexagon”, this is not actually addressed by Greenbridge in its statement.

Code of Conduct

We note the following from Hexagon's own code of conduct:

2.3 How the Code works

All personnel must read and follow this Code, along with additional Hexagon policies applying to their roles. You should apply this Code not only to the letter, but also abide by the spirit behind its content. If, for example, you are confronted with a situation for which this Code does not provide guidance, the following questions can help you make the right decision:

1. Is it legal, ethical and fair?
2. Would it embarrass Hexagon or harm Hexagon's reputation if it became publicly known?
3. Would a customer, colleague, shareholder or other Hexagon stakeholder approve of it?
4. Would you feel comfortable telling your family about it?

Failure to comply with the Code may result in civil and criminal liability as well as disciplinary action, up to and including termination of employment or contract.

5.1 Conflicts of interest

All business-related decisions must be made based on the best interests of Hexagon, rather than on any personal or other considerations or relationships.

All personnel are expected to avoid any situation that could create actual or potential conflicts between the interest of themselves or others and those of Hexagon.

A conflict of interest can arise in a number of situations, such as where a Hexagon employee (directly or through a relative):

- Misuses his or her position with Hexagon in a way that results in personal gain
- Has a financial interest that can affect their judgment or influence a decision
- Gains personal enrichment through access to confidential information
- Has personal interests in a Hexagon supplier or customer company

Figures 7 & 8 – Hexgon Code of Conduct[5]

Key takeaways

There is no doubt in our minds that Hexagon has made some great acquisitions of best-in-class assets. Similarly, we have no doubt that many acquisitions and internally generated IP have been profitable. We even firmly believe that Hexagon can genuinely provide synergies in the acquisitions it has made. This is not in dispute.

Hexagon is not a zero, but it has major problem:

- The finesse of a streamlined tech-savvy business is lost on hundreds of acquisitions of distributors which appear to underperform post-acquisition and revenue run-off streams of mature market operators.
- The premise of vast organic growth repeatedly represented by management is simply untrue. Hexagon buys safe, mature revenues, acquires R&D, and reaps earnings over relatively short technological life cycles. It is an industrials conglomerate.
- Hexagon's short technological life cycles appear to accelerate the redundancy and inefficiency of its assets, as dictated by asset turnover.
- It is not in the management's interest to generate organic growth or spend money on R&D. It is in their interest to acquire earnings, as this dictates management bonuses.
- Acquisition of distributors may not have a significant impact on revenue immediately but will impact margins.
- Hexagon has enormous governance issues, and its **management appears to be committing fraud.**

On this note: we believe a valuation of Hexagon shares is a futile exercise. There is simply not enough information and transparency from Hexagon management to conduct any meaningly valuation analysis.

Viceroy believes this report details significant downside to the share price and enormous risk in HEXA-B.

[5] https://investors.hexagon.com/~/media/Files/H/Hexagon-IR-V2/documents/Policies/English%20-%20Hexagon%20Code%20of%20Conduct%202021.pdf

Attention: Whistleblowers

Viceroy encourages any parties with information pertaining to misconduct within Hexagon, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

About Viceroy

Viceroy Research is an investigative financial research group. As global markets become increasingly opaque and complex – and traditional gatekeepers and safeguards often compromised – investors and shareholders are at greater risk than ever of being misled or uninformed by public companies and their promoters and sponsors. Our mission is to sift fact from fiction and encourage greater management accountability through transparency in reporting and disclosure by public companies. In doing this we hope that our work will improve the overall quality of global capital markets.

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