

CORETX Holdings Plc
(“CORETX” or the “Company”)

Acquisition of 365 ITMS Limited

CORETX Holdings plc (AIM: COR), the mid-market network, cloud and IT managed services provider, is pleased to announce the acquisition of 365 ITMS Limited (“365IT”), a leading UK IT support and services provider, for an enterprise value of £5.4 million (the “Acquisition”).

Highlights

- 365IT is an IT support and services provider, offering a range of complementary data centre, network, security and cloud services with a particular strength in voice and unified communications and expertise in both Cisco and Microsoft solutions
- Using the ‘5i’ brand, 365IT has established a successful channel model
- 365IT has 110 staff and over 450 customers across a range of industries
- In the 10 months to 31 January 2017, 365IT generated revenue of £12.7 million, of which 45% is recurring and EBITDA of £0.5 million
- Based in Riseley and Poole, the company’s locations are a strong geographic fit
- Strategic acquisition that complements and expands CORETX’s products and services portfolio (voice, unified communications and cloud offerings in particular) and provides cross and upsell opportunities
- £5.4 million enterprise value, payable as follows:
 - £1.6 million in cash, financed from CORETX’s existing bank facility
 - £3.0 million in new ordinary shares in the Company at a price of 30.53 pence per share
 - Assumption of £0.6m cash balances and a £1.4 million debt balance
- The Acquisition is expected to be earnings enhancing in the first full year of trading

Jonathan Watts, Non-Executive Chairman of CORETX, commented:

“We are delighted to announce the acquisition of 365IT which we believe is highly complementary on both a product and service level as well as geographically. 365IT has a very strong IT services pedigree, with excellent voice, unified communications and cloud capability which we believe will accelerate CORETX’s presence in these high growth areas and enable us to provide our customers with a broader and more comprehensive offering.”

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

CORETX Holdings Plc
Andy Ross, CEO
Julian Phipps, CFO

Tel: +44 (0)844 874 1000

N+1 Singer
Nominated Adviser and Broker
James Maxwell
Liz Yong

Tel: +44 (0)207 496 3000

MXC Capital Markets LLP

Tel: +44 (0)20 7397 8900

Financial Adviser
Marc Young
Charles Vivian

Alma PR Limited
Josh Royston
Robyn McConnachie

Tel: +44 (0)7780 901 979

Further information on 365IT

365IT was established in 2011 by the combination of four trading companies, bringing together expertise in the fields of data back-up, IT infrastructure and unified communications to become a provider of information and communication technology solutions and services to the mid-market. In April 2016, 365IT acquired the entire issued share capital of Deverill Group Limited, a competitor with similar operations based in Poole.

365IT is an established IT managed services provider, with particular expertise in voice and unified communications, and a services portfolio that includes private cloud, contact centre solutions, connectivity, collaboration and security solutions and training.

The group has a long-term relationship with Cisco for which it is an established training partner as well as having strong Microsoft skills, including Office 365 and Skype for Business, and is highly experienced in integrating Cisco and Microsoft platforms. In addition, 365IT has a well-established channel model using its 5i brand which has resulted in key relationships with Tier 1 system integrators and managed services players such as CDW, Misco and RICOH.

365IT has over 450 customers and employs 110 people across its sites in Riseley (near Reading) and Poole, 70 of whom are technical staff. The Acquisition is expected to provide the enlarged group with good opportunities for cross-selling its products and services across the combined client base.

For the 10 months ended 31 January 2017, unaudited management accounts show that 365IT generated revenue of £12.7 million, of which 45% is recurring, EBITDA of £0.5 million and was break even at a profit before tax level. Net assets as at 31 January 2017 were £3.4 million.

The majority shareholder in 365IT was LMS Capital Plc, who is advised by Gresham House Asset Management.

Terms of the Acquisition

The Company has entered into an agreement with the vendors of 365IT pursuant to which it has agreed to acquire the entire issued share capital of 365IT. The enterprise value for the Acquisition is £5.4 million, satisfied as to £1.6 million in cash and £3.0 million in new ordinary shares of 2.5 pence each in the capital of CORETX ("Ordinary Shares") at a price of 30.53 pence per Ordinary Share, being 9,826,400 Ordinary Shares (the "Consideration Shares"). The price per share is based on the average closing mid-price of an Ordinary Share for the month of March 2017. In addition, CORETX will assume 365 IT's cash balances of £0.6m and debt balance of £1.4 million with The Royal Bank of Scotland plc ("RBS"). The cash element of the consideration has been funded out of the Company's existing debt facility with RBS.

Issue of Equity/Total Voting Rights

A total of 9,826,400 Ordinary Shares have been allotted to the vendors of 365IT. The Consideration Shares are subject to a 24 month orderly market agreement whereby the holders have undertaken to make any disposal through the Company's brokers.

Application has been made for the Consideration Shares to be admitted to trading on AIM ("Admission"). Admission is expected to occur at 8 a.m. on 12 April 2017. Following Admission, the total number of Ordinary Shares in issue will be 200,729,121. There are no Ordinary Shares held in treasury and so the total number of voting rights in the Company will be 200,729,121.

The above figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA's Disclosure, Guidance and Transparency Rules.