IDE Group Holdings Plc
("IDE", the "Group" or the "Company")

£10 million Loan Note Issue

IDE, the mid-market network, cloud and IT Managed Services provider, announces that it proposes to raise £10 million by way of an issue of secured loan notes ("LNs") in two tranches. Under the first tranche, £5.3 million of LNs (the "First Tranche LNs") have been subscribed for by two existing shareholders of the Company, MXC Guernsey Limited ("MXC"), a wholly owned subsidiary of MXC Capital Limited, and Blake Holdings Limited ("Blake"), a company controlled by Richard Griffiths (the "Initial Subscribers"). The second tranche of £4.7 million (the "Second Tranche LNs") will be made available to all other shareholders by way of an open offer (the "Open Offer"). The proceeds of the issue of the First and Second Tranche LNs will be used to repay IDE's £8.25 million debt facilities with National Westminster Bank plc ("Natwest") consisting of a revolving credit facility ("RCF") of £4.75 million and an overdraft of £3.5 million (together, the "Facilities") and to provide additional working capital for the Company.

Background to and Reasons for the LN Issue

On 15 October 2018 the Company announced the completion of its strategic and operational review and the sale of 365 ITMS Limited, one of the Group's subsidiaries. It also announced that the restructuring of the businesses that remained within the Group, being IDE Group Manage Limited and IDE Group Connect Limited, was ongoing.

To that end, a total of £7.2 million of annualised staff cost reductions have been implemented, along with other operational cost savings including, *inter alia*, a reduction in software licencing costs and property costs. The Company has also reached a settlement in relation to an outsourced service contract which will result in a saving of c.£3 million over the next three years. The Directors believe that following these cost savings, the Group now has a proportionate cost base.

The Directors are also pleased to announce that in addition to this progress having been made in relation to the Group's cost base, several of the Group's material customers have renewed their contracts with IDE, some on a multi-year basis; these contracts have a total contract value of c.£3.6 million. The Directors believe that this is testament to the level of service IDE provides.

Throughout the difficulties that faced IDE during 2018, the Group's bankers, Natwest, remained supportive of the Company. The proceeds of the 365 Sale were used to reduce IDE's level of debt, however, the Group's remaining RCF of £4.75 million is fully drawn and it has c.£1 million headroom on its £3.5 million overdraft facility. Natwest has informed the Company that it would like full repayment of the Facilities and the Directors believe that the LN Issue will enable IDE to repay the Facilities, provide additional working capital and deliver longer-term funding for the Group, thereby affording security for all the Group's stakeholders.

Terms of the LNs

The LNs have a term of six years (the "Term") and an annual coupon of 12%, which is rolled up, compounded annually and payable at the end of the Term. The LNs carry an arrangement fee of 2.5 per cent., payable at the end of Term, and an exit fee of 2.5 per cent., also payable at the end of the Term. The LNs are secured on the Company's assets, though the First Tranche LNs are subordinated to the Facilities with Natwest until such Facilities have been fully repaid. Thereafter, the LNs will have first charge over the Company's assets. The LNs can be redeemed at any time at the Company's option, however, should the Company opt to redeem the LNs prior to the end of the Term, all interest due until the end of the Term will become payable, together with the arrangement and exit fees, upon such early redemption.

The Open Offer

In order to allow all shareholders of the Company to participate on the same terms as the Initial Subscribers, under the terms of the Open Offer, qualifying shareholders will be invited to subscribe for the Second Tranche LNs, pro rata (over all the LNs) to their existing shareholdings on the basis of 1 £1 LN for every 40 existing ordinary shares held as at the record date, being 5.00 p.m. on or around 9 January 2018, at a price of £1 per LN, payable in full on application and free of all expenses.

The First Tranche LNs represent the pro-rata entitlement of the Initial Subscribers of the total £10 million of loan notes to be issued, being £4.3 million for MXC and £1 million for Blake. Therefore, MXC and Blake are not entitled to participate in the Open Offer. However, the Company and MXC have entered into an underwriting agreement whereby to the extent that other shareholders do not subscribe for all the Second Tranche LNs, MXC will forthwith subscribe for any balance of such Second Tranche LNs not so subscribed for (the "Underwriting Agreement"). Kestrel Opportunities, a cell of Guernsey Portfolios PCC Limited ("Kestrel"), a 9.1 per cent. shareholder of the Company, has undertaken to fully subscribe for its entitlement to the Second Tranche LNs, being £0.9 million.

A further announcement in respect of the Open Offer and details of how to subscribe for the Second Tranche LN's will be made in due course. It is expected that the Open Offer will complete in February.

The MXC Underwriting Agreement and Guarantee

The Company and MXC have entered into the Underwriting Agreement under which IDE will pay MXC a fee equal to 5 per cent. of the value of the Second Tranche LNs subscribed for by it and a fee equal to 2.5 per cent. of those Second Tranche LNs subscribed for by other shareholders.

MXC has also given a guarantee in favour of Natwest (the "Guarantee") whereby MXC has agreed to guarantee IDE's RCF with Natwest and under which it has, *inter alia*, undertaken with Natwest that if IDE does not pay any amount due under the RCF it shall upon demand pay that amount as if it were the principal debtor. MXC is not receiving a fee for providing the Guarantee.

As MXC is a substantial shareholder of the Company, it is deemed to be a related party pursuant to the AIM Rules for Companies (the "**AIM Rules**"). The entry into the Underwriting Agreement is therefore a related party transaction for the purposes of Rule 13 of the AIM Rules. Ian Smith, Executive Director, is not independent for the purposes of the related party transaction given that he is a substantial shareholder and CEO of MXC. The other directors of IDE, Andy Parker and Max Royde, are both deemed independent for these purposes and consider, having consulted with the Company's nominated adviser, finnCap, that the terms of the related party transaction are fair and reasonable insofar as the shareholders of the Company are concerned.

Andy Parker, Executive Chairman of IDE, commented:

"I am pleased to be able to announce that we have secured new debt funding for IDE and that we are able to offer all shareholders the opportunity to participate in such funding. The Loan Notes provide long term funding for the Group, providing a secure financial platform on which we can build. Significant work has been put into right-sizing the business and I am pleased with the progress we have made. We start the new financial year with a cost base proportionate to our level of contracted revenue."

Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

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ECM: Tim Redfern/ Richard Chambers