

## Proposed Disposal of Supply Chain Business

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Acal PLC

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### **Acal plc**

#### **Proposed disposal of the Supply Chain Division's Enterprise Business**

Acal plc (LSE: ACL, "Acal", the "Group" or the "Company"), a leading European specialist electronics supplier, is pleased to announce the proposed disposal of the remaining business contained within its Supply Chain Division (the "Disposal"). The Group has agreed to sell its UK based IT spares and support services business (the "Enterprise Business") to a company in which the management team of that business is participating. The Disposal is subject to shareholder approval. For the year ended 31 March 2013, the Enterprise Business had revenues of £6.1m and generated profit before tax of £1.2m.

The Disposal reflects Acal's continued strategy of building a specialist electronics supplier to the industrial and medical sectors and completes its programme of non core business disposals, following on from the prior disposals of its UK parts Business in January 2013 and its European Parts Business in November 2013.

The total consideration for the Disposal, if approved, will be £6.0m, comprising initial consideration of £5.7m payable on completion and deferred consideration of £0.3m payable by 31 December 2014. Including transaction and related costs, the Disposal is expected to result in a profit on disposal (excluding goodwill) of £2.4m and a loss on disposal of £3.3m (including goodwill). Sale proceeds from the Disposal will be retained for working capital purposes, for future investment within the Group or as consideration for future acquisitions by the Group.

With the Enterprise Business being the last remaining company in the Supply Chain Division, the Division will now be treated as a discontinued business for accounting purposes in the forthcoming Group financial statements for the year ended 31 March 2014. Accordingly, the Division's results will be shown separately in the Group's income statement. The Group's balance sheet, statement of cash flows and underlying notes to the financial statements will also be amended accordingly. Prior year comparatives will be similarly restated to enable shareholders to understand the underlying trend information.

As a result of the requirement to effect these changes, the Company now expects to announce its final results for the year ended 31 March 2014 on 5 June 2014. There has been no change in trading performance or financial position since the Company's trading update on 10 April 2014.

Nick Jefferies, Group Chief Executive of Acal plc said:

"The proposed sale of the Enterprise business completes our disposal of the Supply Chain division. We wish the Enterprise management every success in the future.

The sale proceeds will be invested in furthering our strategy of building a specialist electronics business through funding our well developed pipeline of acquisition opportunities or otherwise invested in underlying organic growth."

For further information please contact:

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David Arch		

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**Instinctif Partners**

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**The disposal of the Enterprise Business**

The Enterprise Business, which is based in the UK, provides a comprehensive parts support service to both the OEM and maintenance markets. It primarily supports end of service life mid-range and mainframe enterprise systems, such as computer servers and data centres. Although profitable, it is capital intensive and considered non-core to the Group.

This disposal will involve the sale of Acal's UK subsidiary, Acal Enterprise Solutions Limited ("AES Limited"), to Agilitas Holdings Limited, a new company, owned by NVM Private Equity and the current management team of AES Limited (the "Enterprise Management Team"). No material transitional arrangements are expected to be required from the Continuing Group as a result of the Disposal.

In addition to the purchase price of £6.0 million, additional consideration will also be payable if AES Limited or its business is sold within 12 months following completion, equal to 20 per cent. of any sale proceeds over £8.5 million.

**Summary financials relating to the Enterprise Business**

	<b>Year ended 31 Mar 12</b>	<b>Year ended 31 Mar 13</b>	<b>6 months ended 30 Sept 13</b>
Revenue	£5.6m	£6.1m	£3.1m
Contribution to profit before tax	£1.1m	£1.2m	£0.6m
Contribution to underlying operating profit*	£1.2m	£1.3m	£0.6m
Gross Assets		£10.0m	£10.1m
Of which Goodwill		£5.7m	£5.7m

\* Contribution to underlying operating profit is stated before amortisation of intangibles.

Sales in the Enterprise Business for the year ended 31 March 2014 increased by 3 per cent., with underlying operating profit down £0.2 million to £1.1 million, largely driven by the end of some legacy support contracts and the changing product mix within the market. The new financial year has started in line with the financial year just ended.

**Class 1 and Related Party Transaction**

The Disposal is classified as a class 1 transaction under Chapter 10 of the Listing Rules.

Under Listing Rule 11.1.4, the Enterprise Management Team meets the definition of a related party because of the directorships of certain members of that team in the Company's subsidiary, AES Limited. As such, the Company is required to send a circular to its shareholders, in accordance with Listing Rule 13.3 and Listing Rule 13.6 and to obtain approval from shareholders for the Disposal, in addition to the requirements for a Class 1 transaction. The Enterprise Management Team will not vote on the resolution to be put to shareholders and will take all reasonable steps to ensure that none of their associates will vote on that resolution.

Details of the key individuals of the Enterprise Business are as follows:

<i>Shaun Lynn</i>	<i>Managing Director and Director of AES Limited</i>
<i>Stephen Graham</i>	<i>Business Development Director</i>
<i>Steve Bailey</i>	<i>Service Director</i>
<i>Scott Lynn</i>	<i>Service Manager</i>
<i>John Street</i>	<i>Enterprise Operations Manager</i>
<i>Warren Playford</i>	<i>Enterprise Accounts Manager</i>

**Expected Timetable**

The expected timetable for the principal events is set out below:

Circular to shareholders	15 May 2014
Expected latest time and date for receipt of Forms of Proxy and receipt of electronic proxy appointments via the CREST system	11.00a.m. on 29 May 2014
Voting Record Time for General Meeting	29 May 2014
General Meeting	11.00a.m. on 2 June 2014

The General Meeting will be held at 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH.

### **Recommendation**

The Board, having been so advised by Oriel Securities, considers the Disposal to be fair and reasonable so far as shareholders are concerned. The Board also considers that the Disposal is in the best interests of the Company and its shareholders as a whole and, therefore, recommends that shareholders vote in favour of the resolution to be proposed at the General Meeting, as each member of the Board who holds Ordinary Shares intends to do in respect of his or her own beneficial holdings of Ordinary Shares, such holdings comprising, in aggregate, 121,563 Ordinary Shares, representing approximately 0.39 per cent of the Company's existing issued share capital. In giving its advice, Oriel Securities has taken into account the commercial assessment of the Directors.

### **Notes**

1. Shareholders should read the whole of the Circular to be sent to them and not just rely on the summarised information set out in this announcement.
2. Terms used in this announcement shall have the same meanings as set out in the Circular.

### **Notes to Editors:**

#### **About Acal plc**

Acal is a European leader in specialist electronics, designing, manufacturing and distributing specialist electronic, photonic and medical products for the industrial and healthcare sectors. It is the only such provider with an infrastructure to deliver a broad range of specialist products and bespoke solutions across Europe. The Electronics division has completed seven acquisitions in the last four years, more than trebling its specialist revenues. Acal's strategy is to further enhance its leadership position through organic growth, complementary acquisitions and continued enhancement of its custom service capabilities. The division has operating companies across Europe including the UK, Germany, France, Benelux, Italy, Poland, Spain and the Nordic region as well as in Asia (China and South Korea) and Africa (South Africa). Businesses comprise Acal BFi, Hectronic, MTC, Myrra Group, RSG, Stortech and Vertec.

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