Acquisition

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Acquisition of the Santon Group

discoverIE Group plc (LSE: DSCV, "discoverIE" or the "Group"), a leading international designer, manufacturer and supplier of customised electronics to industry, today announces the acquisition of the Santon Group via the purchase of its holding company EWAC Holdings BV ("Santon"). Santon is a Dutch based designer and manufacturer of custom switches for electronic applications and has been acquired for an initial consideration of €27.0m (£23.7m) on a debt free, cash free basis, before expenses.

The initial consideration comprises a payment of €26.0m (£22.8m) in cash, funded from the Group's existing debt facilities, and the issue to the vendor of new ordinary shares of 5p each in discoverIE (the "New Ordinary Shares") to the value of €1.0m (£0.9m). In addition, contingent consideration of up to €22.5m (£19.9m) will be payable over the next 3 years subject to Santon achieving certain growth targets.

As well as the initial consideration, the Group will reimburse to the vendor €2.5m (£2.2m) for recent capital expenditure on the automation of Santon's production facilities and will also invest a further €2.5m (£2.2m) over the coming year to provide additional capacity for growth. The acquisition is expected to be enhancing to Group underlying earnings from the next financial year, beginning on 1 April 2018.

Santon is a designer and manufacturer of highly differentiated, patented direct current ("DC") switches for use in solar, industrial and transportation markets. The acquisition is consistent with discoverIE's strategy of targeting structural growth markets, in this case renewable energy and transportation, internationalising sales and building on its position in niche components for solar power and its established position in wind power.

Santon operates from Rotterdam in the Netherlands, with sales offices in the UK and Germany. The acquisition is expected to nearly double the Group's sales into the renewable energy sector and increase the level of Group sales into Asia from 8% to 13%. Santon will operate within the Group's Design & Manufacturing division whilst retaining its distinct brand identity.

The business has grown consistently over recent years and revenues for the year ended 31 December 2016 were €24.4m (£20.0m) generating EBITDA of €2.8m (£2.3m), a reported pre-tax profit of €1.8m (£1.5m), and a normalised operating profit[1] of €3.2m (£2.6m). Gross assets[2] at 31 December 2016 were €15.0m (£12.8m) on a reported basis. The business continued to grow through 2017 and is expected to benefit from access to the Group's wider international customer base.

Santon has been acquired from its sole shareholder and General Manager, Maartin Reddering, who will continue in his role.

Application has been made for admission of 0.22 million New Ordinary Shares to the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's main market for listed securities ("Admission"). It is expected that Admission will become effective at 08:00 am on 6 February 2018.

Nick Jefferies, Group Chief Executive of discoverIE plc, said:

"The acquisition of Santon continues our strategy of growing discoverIE into a highly differentiated, international electronics design and manufacturing group.

With a long-established track record of producing high quality DC switches, Santon builds our position in niche components for solar power, a market that is set to grow significantly, and will create new opportunities in our other target markets such as transportation and medical.

We are delighted to welcome Maarten Reddering and the Santon team into the Group."

For further information please contact:

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Nick Jefferies - Group Chief Executive

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Notes

1. Normalised operating profit excludes finance charges, exceptional items, restructuring and shareholder costs.

2. Gross assets are the total of non-current assets plus current assets.

3. The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulation, Article 7 of EU Regulation 596/2014. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

Notes to Editors:

About discoverIE Group plc

discoverIE Group (LSE: DSCV; previously Acal plc) is an international group of businesses that designs, manufactures and supplies innovative components for electronic applications.

The Group provides application-specific components to original equipment manufacturers ("OEMs") internationally. With in-house engineering capability, we are able to design components to meet customer requirements, which are then manufactured and supplied, usually on a repeating basis, for their ongoing production needs. This generates a high level of recurring revenue and long term customer relationships.

By focussing on key markets which are driven by structural growth and increasing electronic content, namely renewable energy, transportation, medical and industrial connectivity, the Group aims to achieve organic growth that is well ahead of GDP and to supplement that with targeted complementary acquisitions.

The Group employs c.3,800 people and its principal operating units are located in Continental Europe, the UK, China, Sri Lanka, India and North America.

The Group is listed on the Main Market of the London Stock Exchange and is a member of the FTSE Small Cap Index, classified within the Electrical Components and Equipment subsector, and has revenue of £0.4bn. Over the last five years, revenue and underlying earnings per share have doubled.

This information is provided by RNS
The company news service from the London Stock Exchange

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