



Ideagen PLC - IDEA Acquisition of IPI Solutions Ltd

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Ideagen PLC

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("Ideagen" "the Company" or "the Group")

Acquisition of IPI Solutions Ltd and issue of shares

Ideagen PLC (AIM: IDEA), a leading supplier of Information Management software to highly regulated industries, is pleased to announce the acquisition of the entire issued share capital of IPI Solutions Limited ("IPI") for a net consideration of £5.54m ("the Acquisition").

Highlights

- IPI is a profitable and cash generative software company that has developed 'Visual IP' a leading software platform providing Quality and Compliance reporting
- Based in Mansfield, IPP was founded in 2005 and currently employs 17 staff
- IPI has approximately 400 customers across the Aerospace and Defence, Complex Manufacturing and Life Sciences verticals including GE Aviation, Sikorsky, Augusta Westland and Meggitt.
- On a current run rate IPP is generating approximately £1.9m of annualised revenues of which £1.4m is recurring.
- EBITDA profits for the year ended 30 June 2016 were £0.6 million after adjusting for £0.26 million of costs relating to the former owners of the business which will not recur. EBITDA is expected to increase to a run rate of £0.8 million in the year ending 30 April 2018 as certain contracts are delivered and recurring revenues are recognised.
- The Acquisition is in line with the Group's strategy of acquiring complementary businesses with strong IP and recurring revenues.
- IPI has outstanding IP that is already integrated with the Group's Electronic Quality Management product 'Q-Pulse' and extends our reach into the Manufacturing process within 3 of our target verticals
- The Acquisition is expected to be immediately earnings enhancing.

David Hornsby, CEO of Ideagen, commented; "IPI is a valuable addition to the Group and is in line with our strategy of acquiring business that have strong IP and healthy recurring revenues. IPP has established an extremely compelling value proposition and brings to the Group a complementary solution offering, a talented workforce and long-term customer relationships which further consolidates our position in the Aerospace and Defence, Complex Manufacturing and Life Science verticals."

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Issue of new Ordinary shares in Ideagen

As part of the consideration for the acquisition of IPI, Ideagen announces that it has allotted 889,680 new ordinary shares of 1 penny each in the capital of the Company ("Ordinary Shares").

Application will be made to the London Stock Exchange for the 889,680 new Ordinary Shares to be admitted to trading on AIM ("Admission") and it is expected that Admission will become effective and trading will commence at 8.00 a.m. on 15th December 2016.

After Admission, the total number of Ordinary Shares in issue will be 182,504,108 and the total number of voting rights will therefore be 182,504,108. This 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 share capital of the Company under the FCA's Disclosure and Transparency Rules.

Consideration for the acquisition of IPI

Net consideration payable is £5.54 million being gross consideration of £7.02million less £1.48 million of cash reserves in the business acquired. The consideration is payable as to £4.42 million in cash plus £0.5 million of new Ordinary shares at completion plus deferred cash payments of £1.64 million after 12 months and £0.46 million after 24 months.

The £0.5 million of new Ordinary Shares issued at completion is represented by 889,680 Ordinary shares issued at 56.2 pence each being the average closing mid-market share price of Ideagen shares over the 20 business days immediately prior to completion.

Acquisition Rationale

The Acquisition is in line with the Group's strategy of acquiring businesses with strong IP and recurring revenues that supply GRC Solutions to regulated sectors. IPI has outstanding IP that has already been integrated with the Group's existing product set to build a broader and more valuable GRC solution, which will provide significant cross selling opportunities and a strong platform for future growth. IPI's solutions are delivered via its cloud-based platform and further enhances Ideagen's cloud development strategy, which the Directors believe is an area of significant growth area for the Group.

IPI has a talented workforce, which will add to the R&D, support and sales functions of Ideagen. IPI's Founder and CEO, Brian Harvey, will remain with the enlarged Group and will be appointed to the role of Business Development Director, reporting directly to Ben Dorks, Chief Customer Officer of Ideagen, on completion of the Acquisition.

About IPI

IPI, a Mansfield based software company established in 2003, has developed and commercialised a proprietary platform 'Visual IPI' which ensures design and manufacturing integrity for complex highly regulated programmes. There are currently numerous international standards, such as AS9102 (First Article Inspection for Aerospace) that organisations need to comply with that ensure that the design phase of a programme is aligned with the physical production of specific components and assemblies. IPI's solutions automate the processes for A1902 and other similar standards through the integration and validation of data from disparate systems such as QMS, CAD, ERP and CMM. IPI combined with Q-Pulse will extend our reach into our existing customers and prospects.

IPI currently employs 17 staff and has approximately 400 customers

IPI reported unaudited revenue of £1.69 million and generated EBITDA of £0.34 million for the year ended 30 June 2016. As at 30 June 2016, IPI had gross assets of £1.58 million. In addition IPI currently has run-rate recurring revenues of approximately £1.4 million per annum. IPI is currently debt free with current cash balances of approximately £1.48 million.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014

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