

## Grafenia plc

# Acquisition

RNS Number : 1842L

Grafenia plc

17 July 2017

*This announcement contains information which, prior to its disclosure, was considered inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR).*

**Grafenia plc**  
**("Grafenia", the "Group" or "Company")**

### **Earnings Enhancing Acquisition of Image Everything Limited ("Image")**

Grafenia plc (AIM: GRA) is pleased to announce that it has acquired the entire share capital of Image Everything Limited, a leading large format sign manufacturer and exhibition contractor. The vendors (Neil Cousins, John Fitzgerald and David Brunt) will remain with Image, leading the team and further developing the business as part of Grafenia. There are no changes to the board of Grafenia plc.

The total consideration, to be satisfied in cash and loan notes, will be up to £3.0m. The acquisition is cash flow generative and, once fully integrated, is expected to be earnings enhancing

The initial consideration, paid on completion, comprises cash of £1.15m, together with vendor loan notes of £1.25m (together the "Initial Consideration"). A further £0.6m is payable contingent upon the achievement of certain targets relating to the future financial performance of Image (the "Earn-out"). Further information on the terms of the acquisition is set out below.

#### **About Image**

Image is based in Manchester, England and was founded in 1998. It currently has 41 employees. The Company provides clients with merchandising, retail graphics, site branding, signage, promotional advertising and exhibition solutions.

Over the past fifteen years, Image has invested in state of the art digital print and finishing equipment to remain at the forefront of the large format printing and display market. It offers a wide variety of products and services, promoted in an industry leading 'Definitive Buyers' Guide. This covers simple banners and pop ups, to full building wraps (even going as big as a castle), fleet vehicle wrapping, stadium branding and nationwide sign roll-out projects. Clients range from independent businesses and SMEs to blue-chip household names, such as Manchester City Football Club, English Rugby and Center Parcs. Image provides a 'full service' package for clients, with conceptual design, detailed project planning, site survey, manufacture and national installation.

The business operates from a 60,000 sq ft facility near the Trafford Centre in Manchester. Inside, there's state-of-the-art large format digital printing and finishing equipment, alongside traditional disciplines, such as precision joinery, in-house painting and steel fabrication. Image has created a highly professional work environment, which underpins its everyday commitment to exceptional customer service and design innovation.

In the year ended 31 May 2016 Image delivered revenue of £4.81m, a profit before tax of £0.43m, and closing net assets of £0.23m. The unaudited management accounts for year ended 31 May 2017 reported revenue in excess of £5.53m and profit before tax of £0.59m, with net assets being unchanged. Image has started the new year with a strong order book.

### **Acquisition Rationale**

The graphics market has converged. Sign businesses sell print, web designers sell signs and printers sell websites. In this converged marketplace, we aim to extend the range of signage services we sell through our Nettle and printing.com networks. We want to help clients fulfil more of their display, exhibition and signage needs.

The acquisition of Image, given its size, is a significant further step in our sign roll-up strategy. It enables us to scale our business more quickly.

Image provides a complementary range of products to those we already make. The acquisition adds additional manufacturing facilities and capability. There's limited overlap and the acquisition will provide cross-selling opportunities for the enlarged Group. Our aim is to reliably deliver more of what clients need, from within our supply chain.

The management team of Image has established and developed a business with a strong reputation for reliable customer service. By joining the Grafenia Group and exploiting opportunities within the network, the Board believes it can assist Image to grow to the next level.

Given the geographic proximity to our main production facility, there could be an opportunity in the future to combine our manufacturing.

### **Terms of the Acquisition**

The £1.15m cash element of the Initial Consideration is being funded from a combination of existing cash resources and £0.9m of asset finance facilities from Close Brothers Limited, provided by way of a sale and leaseback of certain fixed assets of the enlarged Group.

The vendor loan notes of £1.25m are repayable in monthly instalments over a period of approximately 2 years.

The Earn-out of up to £0.6m will be satisfied in cash, if payable, and comprises:

- £0.2m dependent on Image achieving certain earnings targets for the 12 months following acquisition; and
- £0.4m dependent on Image achieving certain earnings targets for the subsequent 12 months.

**Peter Gunning, CEO of Grafenia, commented:** "Neil, John, Dave and the team have built a great business together. When we shared our sign roll-up plans with them, there was a natural click. It's refreshing to meet a team with the same determination to deliver reliable service to clients. They truly centre their entire business around their clients and doing whatever it takes, no matter how tricky, to get the job done.

When we first met, it was immediately obvious that the culture at Image is similar to Grafenia's. The more we've got to know the people, the clearer cultural alignment we've found.

Despite us being in the same neighbourhood and same market, there's hardly any overlap in

the products we currently make and sell to our clients. It just makes sense to combine our two businesses and present clients with a more joined-up experience.

Image's size means we have instant capacity to scale our signs business and centrally produce a new range of signage and display products.

In turn, this makes our Nettl partner offering more compelling. It moves us closer to our aim of developing Nettl into the leading network of web, print and sign studios in the UK and further afield."

**Neil Cousins, joint founder of Image, said:** "The UK has huge potential for brand development across all sectors. Our vision is to supply a full range of commercial support products and services, from websites to commercial signage, and everything in-between, to satisfy that need.

Joining forces with Grafenia is an organic fit and provides us with the catalyst to reach more customers, with more solutions, at a much faster pace.

Grafenia's vision for a nationwide network of Nettl studios was exciting to us and we see a unique opportunity and a moment in time to scale and develop something truly special together".

**For further information:**

**Grafenia plc**

**Peter Gunning (CEO)**

**07973 191 632**

**Alan Roberts (Finance Director)**

**0161 848 5713**

**N+1 Singer (Nominated Adviser)**

**Richard Lindley / James White**

**0207 496 3000**

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

END

ACQSFDFUMFWSEFW