



Placing to raise c.£1.25 million

REACT GROUP PLC

Released 07:00:03 03 June 2020

RNS Number : 74670

React Group PLC

03 June 2020

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU Regulation 596/2014) ("MAR"). In addition, market soundings (as defined in MAR) were taken in connection with the Placing as a result of which certain persons became aware of inside information (as defined in MAR), as permitted by MAR. This inside information is set out in this announcement. Therefore, those persons that received such inside information in a market sounding are no longer in possession of such inside information relating to the Company and its securities.

3 June 2020

REACT Group plc ("REACT" or the "Company")

Placing to raise c.£1.25 million

The Board of REACT (AIM: REAT), the leading specialist cleaning, hygiene and decontamination company, is pleased to announce a placing of 83,101,597 new ordinary shares of 0.25 pence each in the capital of the Company ("Placing Shares") at a price of 1.5 pence per Placing Share ("Placing Price") to raise c.£1.25 million, before expenses (the "Placing").

Placing highlights

- The Placing was materially oversubscribed following demand from both new and existing institutional and other investors.
- The Company intends to use the net proceeds of the Placing of c.£1.16 million to:
 - strengthen the Company's sales and marketing activities;
 - support a growing contract pipeline and accelerate organic growth; and
 - provide additional working capital and strengthen the Company's balance sheet to support the Company's aspiration to secure larger contracts.
- The Placing utilises the Company's existing authority to issue new ordinary shares for cash on a non-pre-emptive basis.
- Appointment of Allenby Capital Limited ("Allenby Capital") as sole broker to the Company with immediate effect.

Background to and reasons for the Placing

The REACT business is divided into two parts of approximately equal size of revenues; reactive cleaning services and regular maintenance services.

The regular maintenance business largely operates in the healthcare, road and rail sectors. Revenue continues to grow in the rail and healthcare sectors more than compensating for temporary disruption in others.

As highlighted in the trading update announcement released by the Company on 6 April 2020, REACT's reactive cleaning services business has been experiencing high demand to provide decontamination and infection control services in all sectors. This has included thorough deep cleaning of premises thought to be harbouring SARS-CoV-2, the virus responsible for COVID-19. REACT provides a rapid response to the threat posed by COVID-19, applying best practice standards of deep cleaning and testing to enable customers to return potentially infected properties to safe operational use.

Recent trading has been ahead of management expectations. As a result, the Company is expected to deliver a small operating profit for the six months to 31 March 2020 and the Group remains well placed to meet or exceed management expectations for the full year to 30 September 2020.

The Board of REACT believes there is an opportunity to scale the business through organic growth and carefully selected acquisitions focusing on markets where REACT has differentiation and access to higher margins. The Board of REACT also believes there is an opportunity for the Company to materially grow profitable revenue with large customers in the health, rail and facilities management sectors in addition to strengthening recurring revenue streams through incremental and long-term contracts.

The Board therefore considers it appropriate to undertake the Placing at the current time in order to strengthen the Company's balance sheet and to provide the Company with the resources to ensure it is well capitalised to support organic growth and take advantage of these opportunities.

Details of the Placing and admission to AIM

The Company has raised £1,246,524 before expenses. The Placing will result in the issue of a total of 83,101,597 Placing Shares representing, in aggregate, approximately 16.67 per cent. of the issued share capital of the Company as enlarged by the issue of the Placing Shares. The Placing Price represents a discount of approximately 1.6 per cent. to the closing mid-market price per existing ordinary share of 1.525 pence on 2 June 2020, being the last practicable trading day prior to release of this announcement. The Placing Shares will be issued utilising the Company's existing share authorities.

The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects with the existing ordinary shares of 0.25 pence each of the Company in issue and therefore will rank equally for all dividends or other distributions declared, made or paid after the issue of the Placing Shares on Admission (as defined below).

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM ("Admission"). It is anticipated that Admission will occur, and dealings will commence in the Placing Shares at 8:00 a.m. on or around 9 June 2020.

Appointment of broker

Allenby Capital has been appointed as sole broker to the Company with immediate effect.

Related party transaction

Mr S Rogerson (and connected parties) owns 49,022,750 shares in the Company representing 11.80 per cent. of the current issued share capital of the Company and is a "substantial shareholder" in the Company.

Mr Rogerson (and connected parties) has agreed to participate in the Placing, by subscribing £60,000 for 4,000,000 Placing Shares as set out below. Mr Rogerson (and connected parties) is participating on the same terms as all other placees.

Name	Amount subscribed	Number of Placing Shares	No of Ordinary Shares held post Admission	% of Ordinary Share Capital held post Admission
Mr S Rogerson (and connected parties)	£60,000	4,000,000	53,022,750	10.64%

The participation in the Placing by Mr Rogerson (and connected parties) constitutes a related party transaction under the AIM Rules for Companies.

The Directors, who are considered to be independent directors of the Company for the purposes of AIM Rule 13 in relation to the related party transaction, have considered the participation of Mr Rogerson (and connected parties) in the Placing. Having consulted with SPARK Advisory Partners Limited, the Company's nominated adviser, the independent directors consider that the terms of Mr Rogerson's (and connected parties') participation in the Placing are fair and reasonable insofar as shareholders are concerned.

Total Voting Rights

Following Admission, the Company will have 498,509,350 ordinary shares of 0.25 pence each in issue, each with one voting right. There are no shares held in treasury. Therefore, the Company's total number of ordinary shares and voting rights following Admission is 498,509,350. This figure may be used by shareholders from Admission 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 Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Shaun Doak, Chief Executive Officer of REACT, commented:

"REACT has built a solid foundation on which to develop sustainable growth. Whilst we provide a thorough and rapid response to the demand for deep cleaning and decontamination of property exposed to SARS-CoV-2, the virus that causes COVID-19, we continue to build our core business where the demand for REACT's specialist know how and skills are equally relevant and over time more sustainable."

"This oversubscribed fundraise recognises the progress achieved so far and provides REACT with the working capital and balance sheet strength to support ambitions for further sustainable and profitable growth."

For further information please contact:

REACT Group plc Shaun Doak, Chief Executive Officer	Tel: +44 (0) 1283 550 503
SPARK Advisory Partners Limited (Nominated Adviser) Neil Baldwin / Henry Todd	Tel: +44 (0) 113 370 8974 Tel: +44 (0) 203 328 5656
Allenby Capital Limited (Broker) Allenby Athanas / Liz Kirchner (Corporate Finance) Amrit Nahal / Tony Quirke (Broking)	
MB Associates (Strategic Adviser) Mark Braund	Tel: +44 (0) 798 222 0001

The person making this notification on behalf of the Company is Shaun Doak, Chief Executive Officer of the Company.

Information to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the Product Governance Requirements) may otherwise have with respect thereto, the Placing Shares have been subject to a product approval process, which has determined that the Placing Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment"). Notwithstanding the Target Market Assessment, investors should note that: the price of the Placing Shares may decline and investors could lose all or part of their investment; Placing Shares offer no guaranteed income and no capital protection; an investment in the Placing Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, only investors who have met the criteria of professional clients and eligible counterparties have been procured. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Placing Shares.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END