

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. With the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

29 March 2021

REACT Group plc

("REACT" or the "Company")

Acquisition of Fidelis Contract Services Ltd

Significant expansion of the Group's scale and offering in the commercial cleaning and hygiene services sector

REACT (AIM: REAT.L), the leading specialist cleaning, hygiene, and decontamination company, is pleased to announce the acquisition of Fidelis Contract Services Ltd ("**Fidelis**"), a successful commercial cleaning, hygiene and facility support services company headquartered in Birmingham providing services to customers across England and Wales. This maiden acquisition, which is expected to be immediately earnings enhancing, represents an important step in the Company's stated growth strategy.

Acquisition highlights:

- Acquisition of Fidelis, a well-established commercial cleaning, hygiene, and facility support services business with extensive coverage in England and Wales.
- Expected to be immediately earnings enhancing.
- Delivers a significant increase in the scale of the Group's commercial cleaning and hygiene services offering.
- Fidelis has strong credentials in the education and healthcare sectors providing quality contract cleaning and hygiene services ranging from daily housekeeping and washroom hygiene services through to building and caretaker services, as well as specialist services such as kitchen and duct cleaning, industrial deep cleaning, and pest control.
- High levels of recurring revenues providing clear visibility of future revenues and income.
 - c. 87% of revenue for Fidelis in the financial year ended 31 March 2020 ("**FY 2020**") were recurring in nature with a significant proportion being from contracted maintenance cleaning and a small element from contracted reactive cleaning.
- Largely long-term contracts of 3-5 years in duration, with a strong track record of contract renewals and long-term customer relationships.
- Wide spread of customers, with no one customer generating more than c.8% of revenues in FY 2020 and the top 10 customers representing c.50% of total revenues in FY 2020.
- Profitable with good cash conversion.

- Quality service provision, particularly in sectors such as education and healthcare, commanding higher than average margins for contracted maintenance cleaning.
- Total consideration payable for Fidelis is based on 4.75 times EBITDA in the financial year ending 31 March 2022 (“FY 2022”) (on a cash free, debt free basis with normalised working capital) comprising:
 - Initial consideration of £1.70 million, payable as to £1.50 million in cash from the Group’s existing cash resources and £0.20 million through the issue of new ordinary shares at a price of 2.1p per share, with the relevant vendors locked-in for 24 months from the date of completion;
 - Deferred consideration payments of up to £3.05 million, subject to the audited financial performance of Fidelis in the current financial year ending 31 March 2021 (“FY 2021”) and FY 2022;
 - Deferred consideration payments to be settled in cash and paid in instalments with the final payment being on 29 March 2024; and
 - Maximum consideration payable of £4.75 million, plus surplus cash on completion.
- Maiden acquisition and an important step in REACT’s stated growth strategy to grow organically and through targeted value-accretive acquisitions.
- Fidelis’s predominately contracted maintenance work complements REACT’s focus on reactive work – blend of revenues and margins.
- The two businesses of Fidelis and REACT complement each other providing expertise and operational strength in their respective specialisms in sectors strategically important to both companies.
- Cross selling opportunities to customers of both Fidelis and REACT.
- Lloyd Ansermoz founded Fidelis over 10 years ago and will remain with the enlarged business as a shareholder and, along with his colleagues at Fidelis, an integral part of the management team going forward.

Mark Braund, Executive Chairman of REACT, commented:

“We are delighted to announce the acquisition of Fidelis today, our maiden acquisition and an important milestone in our stated goal to become the country’s most trusted name in the provision of specialist cleaning, decontamination and hygiene services. The acquisition is expected to be immediately earnings enhancing and leaves REACT well positioned to continue to increase market share.

“We have structured the acquisition such that the deferred consideration is linked to the EBITDA performance of Fidelis. We therefore intend to fund any further consideration payable from a combination of existing resources and cash generated by the enlarged REACT group post acquisition.

“The combination of our recent organic growth and the Fidelis acquisition leaves us well positioned to deliver material growth in the current financial year.

“We welcome Lloyd and the Fidelis team into the REACT group and look forward to working with them.”

About Fidelis

Fidelis is a successful commercial cleaning, hygiene and facility support services company headquartered in Birmingham providing services to customers across England and Wales. Fidelis provides services ranging from daily housekeeping and washroom hygiene services through to building and caretaker services. It also provides specialist services such as kitchen and duct cleaning, industrial deep cleaning, pest control and barrier matting for flooring in buildings. Fidelis provides services to a diverse range of sectors with a particular strength in education, healthcare and associated industries.

Fidelis was founded by Lloyd Ansermoz over 10 years ago. Lloyd Ansermoz will remain a shareholder in the enlarged business and, along with his colleagues at Fidelis, an integral part of the management team going forward. Fidelis was majority owned by Lloyd Ansermoz and his wife Naomi.

Reasons for and benefits of the Acquisition

The Group’s strategy for growth is to build a leading position in the provision of specialist cleaning, decontamination and hygiene services through organic growth and strategic acquisitions.

The businesses of Fidelis and REACT complement each other, providing expertise and operational strength in their respective specialisms in sectors strategically important to both companies. The combination of both REACT and Fidelis represents a unique consolidation of services, that the enlarged business will seek to develop with its customers.

Principal terms of the Acquisition

REACT SC Holdings Limited (“**REACT SC**”), a wholly owned operating subsidiary of REACT, has entered into an agreement to acquire the entire issued share capital of Fidelis (the “**Acquisition**”) (on a cash free, debt free basis with normalised working capital) for an initial consideration of £1.70 million.

The initial consideration comprises £1.50 million in cash and £0.20 million satisfied by the issue of 9,496,676 new ordinary shares of 0.25 pence each in the capital of the Company (“**Ordinary Shares**”) at 2.1 pence per share (being the average mid-market price of REACT’s ordinary shares for the five business days prior to completion of the Acquisition) (the “**Consideration Shares**”). The Consideration Shares will be issued to Lloyd Ansermoz and his wife Naomi.

The cash element of the initial consideration has been satisfied from the Group’s existing cash resources.

Further deferred consideration is payable subject to Fidelis achieving certain EBITDA performance targets in FY 2021 and FY 2022.

The total consideration payable is capped at £4.75 million on a cash free and debt free basis with normalised working capital.

The first deferred consideration payment of up to £700,000 will be payable to the vendors of Fidelis in cash and will be paid in full subject to Fidelis achieving EBITDA of c. £0.5 million in FY 2021.

The second deferred consideration payment of up to £2,264,578 will be payable to the vendors of Fidelis in cash and will be paid in full subject to Fidelis achieving EBITDA of £1.0 million in FY 2022.

REACT SC has issued loan notes to the vendors of Fidelis for an amount totalling £85,422 (the “**Loan Notes**”) and with a coupon of 5%. The aggregate value of the loan notes will be reduced to the extent that Fidelis does not achieve EBITDA of c. £0.5 million in FY 2021 and will otherwise be repaid on 1 April 2022. The Loan Notes are guaranteed by REACT.

The Consideration Shares will be subject to a lock-in for a period of 24 months following completion of the Acquisition.

Financial information on Fidelis

For FY 2020, management accounts for Fidelis recorded revenue of £3,296,952 and a profit before tax of £253,289. Unaudited statutory accounts for FY 2020 showed gross assets as at 31 March 2020 of £794,044.

Issue of equity and change to total voting rights

Application will be made for the Consideration Shares to be admitted to trading on AIM and it is expected that admission will take place on or around 1 April 2021 (“**Admission**”).

Upon Admission, the issued share capital of the Company will consist of 508,006,026 Ordinary Shares. The Company does not hold any shares in treasury. Therefore, the total number of voting rights in the Company from Admission will be 508,006,026. This figure may be used by shareholders as the denominator for the calculations by which they determine if they are required to notify their interest in or a change to their interest in the Company under the FCA's Disclosure Guidance and Transparency Rules.

For more information:

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