



Acquisition of LaddersFree Ltd.

REACT GROUP PLC

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REACT Group PLC

("REACT" or the "Company")

Acquisition of LaddersFree Ltd.

H1 Trading Update

REACT (AIM: REAT), a leading specialist cleaning, hygiene and decontamination company, is pleased to announce that it has completed the acquisition of LaddersFree Ltd. ("**LaddersFree**"), an established nationwide commercial window, gutter and cladding cleaning business, for a total consideration of up to £8.5 million on a debt-free and cash-free basis (subject to working capital adjustments) (the "**Acquisition**"). This is REACT's second acquisition and represents a further step in the Company's ambition to achieve its stated growth strategy. The Initial Cash Consideration (as defined below) is to be funded from the net proceeds of the placing announced by the Company on 14 April 2022.

Acquisition highlights

- Acquisition of LaddersFree, a profitable, cash generative commercial window cleaning business serving local, regional and national customers
- Consistent track record of organic revenue growth and profitability
- High level of recurring revenue with clients typically working with LaddersFree on a minimum 12-month rolling term providing visibility of future revenues and income
- The business is scalable with a very low working capital requirement and has potential for strong organic growth
- LaddersFree has a diverse client base across the commercial property, retail, hospitality, leisure and automotive sectors
- Large competitive national ecosystem of 'local' specialist subcontractors which the Board believes gives the sector a high barrier to entry
- Broadens REACT's customer base and reduces dependence on reactive and ad hoc work
- In line with REACT's stated strategy of building a leading industry position through organic growth and via strategic acquisitions

The Directors believe the Acquisition will:

- diversify the service offering of the Company and its subsidiaries (the "Group") through expansion into complementary markets;
- provide nationwide partners and cross selling opportunities;
- provide a highly scalable business model with the opportunity to increase brand awareness through the application of additional sales and marketing resource available within the Group; and
- enhance earnings per share in the first full year of ownership (FY23), before consideration of potential synergies.

Acquisition terms

- Total consideration of up to £8.5 million on a debt-free and cash-free basis (subject to working capital adjustments), comprising:
 - £4.65 million in cash ("Initial Cash Consideration") payable on completion of the Acquisition ("Completion"), subject to any adjustment on preparation of completion accounts;
 - £1.0 million through the issue of 83,333,333 ordinary shares of 0.25 pence in the capital of the Company ("Consideration Shares") on Completion to Jason Korinek and Justin Korinek (the "Founders") at an issue price of 1.2 pence per Consideration Share. Half of the Consideration Shares will be subject to a 6 month lock in period and the other half of the Consideration Shares will be subject to a lock in period of 24 months during which, in each case, the relevant Consideration Shares cannot be sold or transferred. This is followed, in each case, by a 12 month orderly market period;
 - deferred cash consideration of £1.45 million with a 5 per cent. coupon, to be paid in four instalments every six months beginning on 1 December 2022; and
 - performance based contingent consideration of up to £1.4 million, which will pay six times the increase (only) of EBITDA for the financial year ending 30 November 2022 over and above £1.2 million, in three instalments with the final payment due to be made on 1 June 2024.

About LaddersFree

Founded in 2002, LaddersFree is a commercial window cleaning business, serving local, regional and national customers. With an established network of over 300 approved service partners, LaddersFree utilises local window cleaning companies to offer its services to all areas of mainland UK. LaddersFree employs seven individuals, with one office located in Topsham, near Exeter, in Devon.

LaddersFree provides window cleaning services using various methods, including traditional window cleaning, the use of water-fed poles operated from ground level, and the use of mobile elevated working platforms, abseiling and rope access. Whilst 90 per cent. of revenue for the financial year ended 30 November 2021 was generated from window cleaning services, LaddersFree also offers a range of complementary services such as cladding cleaning, gutter cleaning and jet washing.

Since its inception, LaddersFree has grown organically, consistently expanding its client base each year. LaddersFree services its clients both directly and indirectly, either with end users or working on behalf of facilities management, cleaning and property management companies. The current client base is diverse and includes a number of well known companies in the commercial property, retail, hospitality and leisure and automotive sectors. Clients typically work with LaddersFree on a minimum 12-month rolling term and approximately £2 million of annual revenue is identified as being regular or recurring.

Unaudited financials for LaddersFree: For the financial year ended 30 November 2021, LaddersFree generated revenue of £3.0 million (2020: £3.0 million) and profit before tax of £1.4 million (2020: £1.3 million). For the same period, LaddersFree generated normalised adjusted EBITDA of £1.2 million (2020: £1.2 million).

As at 30 November 2021, LaddersFree had unaudited net assets of £2.1 million.

Background to and rationale for the Acquisition

The Acquisition, which is in line with the Group's stated strategy of building a leading industry position through organic growth and via strategic acquisitions, is expected to be earnings enhancing in its first full year of ownership (FY23), before consideration of potential synergies.

The Board believes that the terms of the Acquisition, and the valuation of LaddersFree, are attractive given the opportunities to diversify the Group's service offering through expansion into complementary markets, and to leverage existing resources to accelerate growth. The Board considers the LaddersFree business model to be highly scalable, and the Directors have identified the opportunity to increase brand awareness and accelerate organic growth through the application of additional sales and marketing resource available within the Group.

The acquisition of a well-established cleaning business has the advantage of an existing network of service partners and an established client base, whilst expanding the Group's service offering and providing opportunities for sustained growth through marketing efforts, additional nationwide partners and cross-selling. The Group is gaining a reputable name, a resilient business model and an opportunity to drive profitable growth.

The Founders will retain roles with LaddersFree after Completion, initially on a full time basis, to ensure optimum integration.

In addition to an increased service offering and growth opportunities, the Acquisition is expected to reduce the Group's dependence on reactive and ad hoc work going forwards, with an opportunity to broaden REACT's customer base and generate an increased proportion of recurring revenue.

H1 trading update and outlook

REACT provides the following update regarding the Company's trading performance for the six month period ended 31 March 2022 ("H1") and outlook following the completion of the Acquisition.

The Company has made good progress during H1 achieving revenue of approximately £5.1 million (unaudited) (six months ended 31 March 2021: £2.5 million) and adjusted EBITDA of approximately £130k (unaudited) (six months ended 31 March 2021: £369k), which reflects a higher proportion of contract maintenance work, a lower level of higher margin reactive work and the cost of mobilising incremental new contracts. During H1, REACT closed a number of new customer contracts which have either been mobilised or are in the process of being mobilised and are expected to add material incremental revenue and profit within their contracted revenue business during the six month period ending 30 September 2022 ("H2"). These new contract wins underpin management's confidence in the outlook for H2 and the full year.

During H1, the Company made further investment in its sales team which is starting to yield results, with the influence of newly hired sales resource contributing to the recent contract wins, including the £0.7 million, three year contract announced on 11 April 2022. In addition to smaller contract work that is bid and won on a regular basis, the team has also closed a number of additional opportunities over the past two weeks:

- a second 3-month contract extension, following the success of an initial pilot, with revenues of c.£140k to carry out the periodic deep cleaning of train carriages serving the rail network, with the potential to extend this to an annual contract;
- a separate 1-month pilot with revenues of £40k carrying out similar periodic deep cleaning work on train carriages operating on another part of the rail network. This too has the potential to develop into an annual contract;
- a new annual contract for contract maintenance in the Midlands worth c.£40k per year; and
- two new customers for deep cleaning projects one valued at £35k and the other at £40k.

As previously stated by the Board, the Company's strategy is to focus on building out the contract maintenance business, both organically and through targeted acquisitions. Given the recurring nature of contract maintenance work, the Board believes this should lead to a more predictable business going forward. Following the Acquisition, the Board is proposing to concentrate sales effort on contracted work, including targeting an increase in revenue generation within LaddersFree. To achieve this, some of the existing sales team previously assigned to reactive and ad hoc work will shift to focus primarily on generating contract maintenance revenue within both the existing business and LaddersFree. As a result of the shift in sales focus, the Board expects this to reduce the proportion of reactive and ad hoc revenue within the overall Group and, over time, to increase the proportion of contract maintenance revenue.

Following completion of the Acquisition and the mobilisation of a number of new contracts won during H1, the Board expects to deliver adjusted EBITDA for the financial year ending 30 September 2022 of approximately £1.3 million.

Notice of half year results

The Company expects to publish its unaudited half year results for the six month period ended 31 March 2022 in the second half of June 2022.

Mello 2022

REACT will also be presenting at the Mello 2022 investor forum on Thursday 26 May 2022. The event will be held at the Clayton Hotel, Chiswick, London W4. For more information go to: <https://melloevents.com/mello2022exinfo/>.

Admission of Consideration Shares and total voting rights

It is expected that Admission of the 83,333,333 Consideration Shares to AIM ("Admission") will occur and that dealings will commence at 8.00 a.m. on 18 May 2022. The Consideration Shares will rank *pari passu* with the existing ordinary shares of 0.25 pence each in the capital of the Company ("Ordinary Shares").

Following Admission of the Consideration Shares, the Company will have 1,049,672,691 Ordinary Shares in issue and no Ordinary Shares in treasury. Therefore, the total voting rights in the Company will be 1,049,672,691.

This figure may be used by shareholders as the denominator for the calculation by which they may determine if they are required to notify their interest in, or any change to their interest in, the Company under the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

Shaun Doak, Chief Executive Officer of REACT, said: "We are delighted to welcome Jason, Justin and the team at LaddersFree into the REACT family. Over the last 20 years they have established a very strong reputation for consistently delivering high-quality services greatly valued by local, regional and national customers.

The LaddersFree value proposition to both customers and their network of specialist service providers is incredibly attractive to our business. Combined with the team's focus and customer-centric service culture, they fit perfectly within the Group.

We are excited by the opportunities that lay ahead as we continue to invest in profitable growth and offer our increasingly unique brand of services across the broadening customer base of the business."

For further information:

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