

13 June 2024

**Petards Group plc**  
**("Petards" or the "Group")**

**Acquisition**

Petards Group plc (AIM: PEG), the AIM quoted developer of advanced security and surveillance systems, is pleased to announce that it has today conditionally agreed to acquire Affini Technology Group Limited ("**ATGL**") and thereby indirectly its wholly owned subsidiary, Affini Technology Limited ("**Affini**") (together the "**Acquisition**"). Affini is a UK based critical communications solutions provider to the transport, blue light, energy, defence and construction sectors.

Pursuant to the terms of the Acquisition, the Company has agreed to acquire the entire issued share capital of ATGL from Philip Williams, Peter Burridge, Ian Carr, Michael Norfield and Andrew Woodhall (the "**Sellers**"). The Acquisition is only conditional upon the release of certain bank security given by ATGL and Affini. If such release is not obtained by 27 June 2024 (or such later date as Petards and the Sellers shall agree in writing) then the Acquisition will not proceed to completion.

The total consideration of the Acquisition will be approximately £2.8 million comprising a payment for adjusted net assets of £1.5 million, and a payment for goodwill of £1.3 million. Net assets to be acquired are expected to include cash in the region of £0.5 million. The consideration will be satisfied by a payment of £2.5 million in cash ("**Cash Consideration**") and the issue of 4,176,810 new ordinary shares of one pence each in the capital of the Company ("**Ordinary Shares**"), with an aggregate value of £326,000 ("**Consideration Shares**") (which will, following Admission represent, in aggregate 61,705,309 Ordinary Shares then in issue). On completion of the Acquisition, £2.4 million will be paid in cash and all the Consideration Shares will be allotted. A retention of £0.1 million will be paid in cash once the conditions for its payment have been met.

The Sellers have each undertaken to the Company and WH Ireland Limited not to dispose of their Consideration Shares prior to the date falling 30 days following the release of the announcement of the Company's preliminary results for the year ending 31 December 2024, and furthermore have agreed to customary orderly market restrictions in respect of the Consideration Shares thereafter.

The Cash Consideration payable at Completion is to be funded from existing cash resources of approximately £1.7 million and £0.8 million from the Company's unutilised bank overdraft facility provided by Santander UK plc ("**Santander**"), The Company's total overdraft facility is £2.5 million.

**Background and reasons for the Acquisition**

Petards has a clear and established strategy to grow both organically by exploiting the synergies within the Group and by acquisition. The Board believes that the acquisition of Affini, a profitable and cash generative business, represents a further step in building the Group's target markets, adds new capabilities and services to its product portfolio, provides a strong recurring revenue stream, and has a clear fit with the Group's strategy.

The Board believes that the Acquisition will bring benefits that are highly complementary to the Group and in-line with the key tenets of the Group's existing strategy being to:

- **focus upon the Group's core products which are used in the rail, defence and traffic industries:** Affini currently offers critical communication to the defence sector. The Acquisition will provide a step change in the scale and reach of the Group's critical communication capabilities particularly in the aviation, and energy markets which have high barriers to entry.
- **continue to invest in developing technologies to enhance its product portfolio:** The Acquisition broadens the Group's product portfolio and provides Affini with the opportunity to cross sell its enhanced offering to the Group's enlarged customer base;

- **increase revenues both organically by exploiting the synergies within the Group and by acquisition:** the Acquisition will increase the Group's recurring revenues with approximately 50% of Affini's £5.6m revenue for the financial year ended 31 December 2023 relating to managed services and maintenance;
- **expand revenues globally into the Group's target markets:** Petards' target markets are the rail, defence and traffic industries: Affini operates in similar industries being the transport, blue light, energy, defence and construction sectors; and
- **improve operating margins through cost management.**

The Directors believe Affini is a highly complementary business and will be a good cultural fit with the existing Group. It has an experienced executive leadership team, who are remaining with the business with strong engineering expertise, consistent business values and principles, an aligned commercial approach and comparable operational procedures. The Directors believe that these factors will help reduce integration risk.

### Information on Affini

Affini is a UK based critical communications solutions provider to the transport, blue light, energy defence and construction sectors. Affini's expertise covers the entire life cycle, enabling it to offer an end-to-end service from strategy and design to maintenance and service management.

Affini delivers voice, video and data communication solutions alongside telematics, telemetry and asset/people tracking services. Its revenue is principally derived from project work, consultancy, maintenance and managed services, the latter generating recurring revenues and embedding customer relationships. Affini supplies services to a number of blue chip clients, with many customer relationships spanning 10 years or more.

The Affini business originates from 1974 when the radio division of the organisation that formed British Airways was carved out as a separate business. Historically, Affini's core capability was the design, deployment and ongoing maintenance of critical communications networks within the aviation sector. The foundation of these solutions focused on radio technologies, for both landside and airside Private Mobile Radio (PMR) networks as well as ground to air communications within airports.

Following a strategic decision in 2019, Affini has targeted new markets where its skillset can be deployed and where high barriers to entry and operation exist and it has subsequently entered new sectors including in 2019 – blue light (fire and rescue), in 2020 – construction and nuclear and in 2021 – defence.

Affini operates in five key sectors:

- **Transport:** Within the transport sector, Affini currently operates in the following sub sectors:
  - Aviation: Affini owns infrastructure at 24 airports across the UK and has exclusive access to radio frequency spectrum and holds Ofcom licences for the exclusive use of radio frequency spectrum at key aviation sites across the UK as well as all relevant airside permits required to operate within the sector;
  - Rail: maintaining smooth and efficient communications in busy rail environments, its solutions can be rolled out on railway infrastructure across the UK; and
  - Bus: fully connected passenger transport solutions to dispatch control and communications.
- **Blue light:** Affini maintains critical communications infrastructure in the UK, including airports, used and relied upon by the emergency services. Its coverage is essential to ensure service communications are maintained in the event of emergencies.

In addition, specifically for the fire services, Affini has developed fire ground solutions, designed to provide critical communications in harsh environments whilst providing cross compatibility with existing technology.

- **Energy:** Within the energy market, Affini currently operates in the following sub sectors:

- *Nuclear*: Affini is providing the construction communications at two UK locations, developing a blueprint for the construction communications for additional new nuclear power generation sites required to deliver the UK Government's January 2024 "Civil Nuclear: Roadmap to 2050"; and
  - *Other utilities*: Affini has delivered several consultancy projects to the UK's national power transmission sector and continues to pursue opportunities associated with communications in power tunnels and sub stations. It also has longstanding customer relationships within the gas sector.
- **Defence**: Affini is a framework supplier to Crown Commercial Services and through this framework agreement was selected to provide maintenance and managed services at a major naval port. Other defence opportunities are expected through the framework;
  - **Construction**: through its experience in construction communications in the nuclear sector, Affini has developed relationships with major contractors and construction companies.

Affini's business model focuses on acquiring customers in defensible markets with high barriers to entry. Clients are won based on Affini's reputation and technical ability for the delivery of critical communications systems. Once embedded, Affini acts as a technology partner, continually adding services and/or technology solutions to enhance a customer's operational efficiency. Affini is technology agnostic in its approach, ensuring it can provide the best solution for the customer's requirement.

Revenue is generated from projects, managed service, maintenance, consultancy and ad hoc works. Affini generates a large majority of its revenues from project based work, with recurring revenues being obtained from its managed services, its Affini Matrix and Radius SaaS platforms and through 24/7 maintenance and monitoring.

Affini is headquartered at offices near Heathrow and operates from three principal sites across the UK. As at 31 May 2024, Affini employed 36 people including highly skilled communications engineers and has access to more than 25 accredited sub-contract engineers, all of whom are UK based.

### Financial information

Affini's unaudited accounts filed for the 14 months ended 31 December 2022 prepared under FRS 102, adjusted to add back group management charges, showed revenues of £6,323,000, gross profit of £2,590,000, EBITDA of £1,249,000 and operating profit of £732,000.

Affini's unaudited management accounts for the year ended 31 December 2023, adjusted to add back group management charges, showed revenues of £5,604,000, gross profit of £2,121,000, EBITDA of £652,000 and operating profit of £401,000, and net assets of £2,276,000.

### Banking facilities

The Company has recently entered into a new overdraft facility with Santander which may be utilised to fund the Group's working capital and any other purpose which Santander may approve. The facility is for up to £2.5 million and is secured by a fixed and floating charge over the assets of the Company. Interest is payable on drawn funds at the Bank of England's base rate plus 2.5 per cent.

### Admission and Total Voting Rights

Application will be made to the London Stock Exchange for the Consideration Shares to be admitted to trading on AIM on completion of the Acquisition ("**Admission**"). In addition application has been made for 180 Ordinary Shares to be admitted that were issued pursuant to a loan note conversion in December 2017 ("**Loan Note Shares**") and it is expected that such Admission will occur at 8.00 a.m. on 18 June 2024. The Consideration Shares will be issued credited as fully paid and together with the Loan Note Shares and together with the Loan Note Shares will rank in full for all dividends and other distributions declared, made or paid after the admission of the Consideration Shares, respectively and will otherwise be identical to and rank on Admission pari passu in all respects with the existing Ordinary shares.

Following Admission, the Company will have 61,705,309 Ordinary Shares in issue, of which 1,000,000 are held in treasury. Accordingly, the total number of voting rights in the Company will be 60,705,039 and shareholders may use this figure 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 FCA's Disclosure Guidance and Transparency Rules.

**Commenting, Raschid Abdullah, Petards Chairman said:** "We will be delighted to welcome Affini and its staff to the Petards Group and look forward to working together in growing the expanded Group during this exciting new phase in Petards development. This strategic acquisition will both significantly increase the Group's scale and revenues, while complementing its present operations. As well as being complementary to the Group's existing activities within Defence, Traffic and Rail, it will broaden its reach into new sectors, including those of Energy, Aviation and Buses."

**Ian Carr, Affini's CEO commented:** "We are looking forward to joining the Petards Group which shares our passion for delivering innovative technology, expertise and exceptional customer service. From Affini's strong heritage in critical communications within the aviation sector, I am proud that in recent years we have expanded into new markets, added new technologies, and secured prestigious projects across the bus, rail, energy, construction, and defence sectors. With Petards operating across many similar and complementary markets, I believe this represents a significant strategic milestone for the business and will enhance its ability to take advantage of the growth opportunities in its target markets."