

8 September 2020

The Panoply Holdings PLC
("The Panoply", or the "Group")

Acquisition of Difrent
Significant expansion into the healthcare sector

The Panoply Holdings PLC, the technology-enabled services group focused on digital transformation, announces the acquisition of the entire issued share capital of Difrent Ltd. ("Difrent") (the "Acquisition"), a digital transformation consultancy focused on the Healthcare sector.

Newcastle-upon-Tyne-based Difrent uses a partnership approach to help its clients to achieve their digital transformation goals. The company's proposition includes strategic consultancy, user centered design, business analysis, business change, procurement, and front and back end development. The company is led by Rachel Murphy who was recently awarded CEO of the Year 2020 for Health and Social Care by CEO Monthly magazine and who is also a CHIME certified Healthcare CIO. Difrent also specialises in remote-first delivery, enabling organisations to deliver positive outcomes entirely remotely. Given the current evolution of working practices, the Board believe that this is a highly relevant and valuable offering.

Approximately 75% of Difrent's revenues are currently generated from the health and social care sectors and this acquisition therefore represents a significant expansion of the Group's reach into those sectors. Difrent's clients include NHSX, Department of Health and Social Care, NHS Business Services Authority, Public Health England, World Health Organisation, DEFRA and Department of Work and Pensions.

The Acquisition is profitable and immediately earnings enhancing for The Panoply. Difrent has experienced significant growth in its consulting revenue over the last three years, and most recently reported unaudited revenues in its consulting division at £5.7m (2019: £3.2m) and unaudited EBITDA of £0.7m (2019: £0.1) for the year to 31 March 2020 (an increase of 78% and 600% respectively). Including its recruitment division Difrent delivered total unaudited revenue for the year to 31 March 2020 at £7.4m (2019: £4.3m) with unaudited EBITDA of £0.9m (2019: £0.2m) and unaudited profit after tax of £0.7m. Upon completion of the acquisition, Difrent will work closely with the Group's existing companies during the earn-out period with the potential of joining one of its full-stack brands in the future.

The Acquisition is in line with The Panoply's stated three year commercial vision to use a mixture of positive cash flow and shares to make earnings enhancing acquisitions to add more than £35m of revenue to the Group.

The Panoply is paying a total initial consideration of £8.8m with £4.0m in cash and £4.8m in shares with £0.4m of the cash element to be withheld pending the determination of completion accounts. The cash portion will be funded through an extension of the Group's revolving credit facility with HSBC to £7m with the balance funded from the Group's own cash reserves. HSBC has also agreed to extend the term of the loan by an additional 12 months to 11 June 2023, and provide an accordion facility to increase the loan by a further £3m to £10m subject to continued financial performance conditions and due diligence on further acquisitions. Following the Acquisition, the Group remains in a strong cash position with cash at the end of August less the consideration payment in relation to the Acquisition of £4m and a net debt position of £3m¹.

¹ Actual cash at £5m taking into account £1m of deferred tax (VAT and National Insurance) that is being paid down

Neal Gandhi, Chief Executive Officer of The Panoply, said:

"Difrent's focus on health and social care presents an immense opportunity for us as a Group building upon the success FutureGov had already achieved in those sectors and at a time when there has never been more focus on radically transforming the way we deliver healthcare services.

"This acquisition is immediately earnings-enhancing for the Group, and clear evidence of our continued

momentum against our three-year commercial vision, following on from the acquisitions of Arthurly in June 2020 and Ameo in the last financial year.

"As a disruptive, purposeful and forward-thinking company, the Difrent acquisition perfectly complements our strategy of acquiring best-in-class in companies who share the values and deep sense of purpose that runs through the Group."

Rachel Murphy, CEO of Difrent, said:

"For the past three years we've been delivering disruptive, purposeful digital change to organisations in the sector, enabled by our team of passionate digital and change specialists. By joining with The Panoply, we recognise the ability for us to expand our reach and opportunities, while maintaining our core focus on delivering public good."

"All of the team here at Difrent greatly look forward to collaborating with The Panoply's other Group businesses to win new business and, ultimately, deliver digital transformation programmes of the highest quality to our clients and by definition create better services for citizens, patients and service users."

Further information:

The Panoply is paying a total initial consideration of £8.8m, comprising £4.0m in cash and £4.8m in shares, to be issued at a price of £1.225 per share totalling 3,918,366 shares (the "Consideration Shares"). £0.4m of the cash element of the consideration will be withheld pending the finalisation of the completion accounts (pursuant to which there may be an adjustment to the initial consideration based on Difrent's working capital at the date of completion).

The Consideration Shares are subject to claw back in the event of underperformance measured against revenue targets.

Further consideration may be payable based on revenue generated for the 12 months to 31 March 2021 and 12 months to 31 March 2022. Further consideration will be calculated at 0.66x revenue growth above £7.6m in each period and there will be a claw back of Consideration Shares if there is a revenue decline below £7m for the 12 months to 31 March 2021 and £7.6m for the results to 31 March 2022 at 1x the decline, such clawback being limited to consideration shares with a value of £4.8m.

Any such additional consideration shall be calculated following the agreement of the relevant revenue calculations of the Company relating to the financial periods ending on 31 March 2021 and 31 March 2022 and shall be payable by the allotment and issue of shares in The Panoply.

The number of any such additional shares to be allotted and issued shall be calculated by dividing the deferred consideration payable by a price per share in The Panoply which is the greater of £1.225 and the volume-weighted average mid-market price (VWAP) over the 30 business days prior to the relevant issue date.

Any shares in The Panoply which are allotted and issued as part of the deferred consideration will be done so following publication of the relevant annual report. All of the Consideration Shares and any further shares issued by way of deferred consideration shall be subject to customary lock-in for a period of 12 months following the date of their issue (the **Lock-up Period**) and orderly market arrangements for a period of 12 months following the end of the Lock-up Period.

The maximum total consideration is capped at £13.3m.

Upon completion of the Acquisition, circa 70% of pro forma revenues will continue to come from public services.

The Panoply is acquiring Difrent from Rachel Murphy and Steven Dhillon.

Admission and total voting rights

An application will be made for the admission of the Consideration Shares to trading on AIM which is expected to take place on or around 11th September 2020.

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About The Panoply

The Panoply is a digitally native technology services company, built to service clients' digital transformation needs. Founded in 2016, with the aim of identifying and acquiring best-of-breed specialist information technology, design and innovation consulting businesses across Europe, the Group collaborates with its clients to deliver the technology outcomes they're looking for at the pace that they expect and demand.

More information is available at www.thepanoply.com

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