

**Pinnacle Technology Group plc**  
(the "Company", "Group" or "Pinnacle")

**Acquisition of adept4 Limited**  
**£5m funding from the Business Growth Fund plc**  
**Proposed Change of Name**  
**Notice of General Meeting**

Pinnacle Technology Group plc, the AIM listed provider of 'IT as a Service', is pleased to announce that it has acquired the entire issued share capital of adept4 Limited ("adept4"), a provider of cloud based IT services and solutions headquartered in Warrington (the "Acquisition"), funded through the issue of £5 million of unsecured loan notes to the Business Growth Fund Plc ("BGF"). Pinnacle also announces the Company's intention to change its name to adept4 plc.

**Highlights**

- adept4 provides IT as a Service encompassing fully managed IT service contracts, cloud based services, professional services, software support and development
  - Dedicated, ITIL aligned, 24x7x365 service desk
  - A Tier 1 Microsoft SPLA and Cloud Service Provider with a track record in the adoption of Microsoft Azure plus partner status with leading technology vendors such as Cisco, Veeam and VMware
  - c. 60 customers with average contract lengths of three to six years
  - A strong management team with experience of both organic and acquisition growth all of whom remain in the business
- In the year to 31 December 2015 adept4 generated revenue of £5.0 million and EBITDA of £0.75 million
  - 67% recurring revenue, expected to increase due to a growing long term support contract base and organic growth
  - Strong free cash flow generation in excess of 90% of EBITDA
- Initial consideration of £4.5 million satisfied in cash plus deferred consideration of £1 million in cash, payable in January 2018. Further contingent consideration of up to £1.5 million in cash payable in March 2018, subject to performance criteria for the year to 31 December 2017
- Acquisition part financed through issue of £5 million loan notes to the BGF with an associated option to subscribe for shares at a price of 6 pence per share, representing a 43% uplift from the February placing price of 4.2 pence
- Focus is now on building a strong, asset light, 'IT as a Service' business with an experienced operational management team and scalable platform, focussed on North England
- Post completion, Pinnacle will have cash at bank of £4.3 million
- Following recent disposals of legacy Pinnacle trade and assets, the Company proposes changing its name to adept4 plc

Gavin Lyons, Executive Chairman of Pinnacle, commented:

"This is a pivotal moment for Pinnacle as it completes the turnaround of the business which we set out to do in January 2016. Having executed five acquisitions and three disposals in just over four months we have moved from a loss making company with liabilities to a sustainable operational platform with healthy gross profit margins and high recurring revenues.

Our focus is now on the integration of our acquisitions so that we can scale our asset light, 'IT as a Service' proposition we have for UK SME business. Our strategy remains the same and we will continue to focus on growing the company organically and through acquisition."

A circular will be sent to shareholders (the "Circular") giving notice of a general meeting of Pinnacle (the "General Meeting") to be held on 13 June 2016 at 10.00 a.m. at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN. A copy of the Circular will be available on the Company's website [www.pinnacletechnology.co.uk](http://www.pinnacletechnology.co.uk).

For further information, please contact:

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Gavin Lyons, Executive Chairman

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**Further Details on adept4**

adept4 provides IT as a Service encompassing fully managed IT service contracts, cloud based services, professional services, software support and development. The business was founded in 2007 and has been jointly owned by three directors, Peter Birkett, Paul Talbot and Steve Cosgrove, since 2009. All three directors are remaining with the business post acquisition. adept4 is headquartered in Warrington with offices in Brighton and Aberdeen and delivers both remote and on-site support throughout the UK and internationally. adept4 has a dedicated professional services team comprising a mix of software, infrastructure and project management who are able to transition customers into a fully managed service, supported by a 24x7x365, UK based helpdesk.

adept4 has expanded rapidly through a mixture of organic growth and targeted acquisition to extend the business' service offering and access new sectors. adept4's recent focus has been on generating monthly recurring contracted revenue and extending the lengths of its contracts which currently average between three and six years. It has an existing customer base of c.60 and the vast majority of its larger customers have been acquired via referral, both from other customers and its technology partners, in particular Microsoft.

adept4 was awarded Tier 1 Microsoft SPLA and Cloud Service Provider status in November 2015. The business is increasingly moving towards the asset light, cloud-based platform, MS Azure, which as well as incurring lower licensing and data centre expenses also reduces implementation costs and offers a broad range of cloud-based products. Other key vendor partners include VMware, Veeam, Cisco, BT and HP.

For the year ended 31 December 2015, adept4 revenues amounted to £5.0 million, of which 67% were recurring, with a profit before tax of £0.51 million. EBITDA for the year to 31 December amounted to £0.75 million with over 90% of EBITDA converted to free cash flow. Gross assets as at 31 December 2015 were £1.9 million. The business currently employs 46 people.

Initial consideration for the Acquisition was £4.5 million in cash. Deferred consideration of £1 million in cash is payable in January 2018. In addition there is a potential earn-out payment of up to £1.5 million in cash in March 2018, dependent on certain performance criteria for the 12 months to 31 December 2017.

### **Financing of the Acquisition**

The initial consideration was financed by the issue of £5 million unsecured loan notes ("Loan Notes") to the Business Growth Fund Plc ("BGF"). The Loan Notes have a 7 year term, with redemption permissible from the third anniversary and required from the fifth anniversary, and carry interest at a rate of 8% per annum. In addition, Pinnacle has agreed to grant the BGF an option to subscribe for 50,000,000 ordinary shares of 1 pence each in the capital of the Company ("Ordinary Shares") at a price of 6 pence per Ordinary Share (the "Option"). The issue of the Option is conditional on the passing of certain shareholder resolutions at the General Meeting. In the event that shareholders do not approve the resolutions required to grant the Option, this will result in the Loan Notes having to be repaid immediately. However, Pinnacle has secured sufficient irrevocable undertakings from certain shareholders to vote in favour of the resolutions for the resolutions to be passed. Further details on the irrevocable undertakings can be found below.

### **Change of Name**

With the recent disposal of the trade and assets of Pinnacle CDT, which completed the disposal of all the legacy Pinnacle businesses, the Directors feel it is now appropriate to rebrand the Group. adept4 has created a strong, defined brand in its locality and the Directors believe that it makes sense to use this brand for the Group as a whole. Therefore, subject to the shareholders' approval by way of a special resolution, it is proposed that the name of the Company be changed to adept4 plc shortly after the General Meeting. If the resolution to approve the change of name of the Company is passed at the General Meeting, the Company's TIDM will be changed to AD4, and its website address will be changed to [www.adept4.co.uk](http://www.adept4.co.uk).

### **Notice of General Meeting**

The Directors do not currently have sufficient authority to grant the Warrants or the power to change the Company's name. Accordingly, the Directors are seeking the approval of shareholders at the General Meeting to grant the Warrants and change the Company's name to adept4 plc. Set out at the end of the Circular is a Notice of General Meeting of the Company to be held at the offices of DAC Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN on 13 June 2016 at 10.00 a.m. at which the resolutions will be proposed.

### **Irrevocable Undertakings**

All of the Directors, in addition to certain other shareholders, have irrevocably undertaken to vote in favour of the resolutions to be proposed at the General Meeting to approve the grant of the Option, in respect of the 174,125,820 ordinary shares held by them, representing approximately 76.7 per cent. of the issued share capital of Pinnacle.