

The information contained within this announcement is deemed by the Company to constitute inside information pursuant to Article 7 of EU Regulation 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended.

20 October 2021

CloudCoCo Group plc
("CloudCoCo", the "Company" or the "Group")

Acquisition of IDE Group Connect Limited and Nimoveri Limited

CloudCoCo (AIM: CLCO), a leading UK provider of Managed IT services and communications solutions to private and public sector organisations, is pleased to announce two further acquisitions to support its stated goal of becoming a significant player in the fast-growing UK Technology sector.

- CloudCoCo acquires IDE Group Connect Limited ("IDE Group Connect") and Nimoveri Limited ("Nimoveri") (together, the "Acquisitions") from IDE Group Holdings PLC for a deferred consideration of £250,000.
- Revenues from the Acquisitions were £13.6 million, with 93% of those revenues being from recurring Managed Services contracts, and combined adjusted EBITDA* was £(0.8) million in the unaudited accounts for the year to 31 December 2020.
- CloudCoCo management has identified a number of immediate steps that can be implemented to help drive profitability across the enlarged Group.
- The Acquisitions will provide CloudCoCo with circa 660 additional clients and a significant opportunity to upsell and cross sell services across the Group.

About the Acquisitions

IDE Group Connect is a specialist cloud, advanced support, connectivity and co-location data centre provider. Prior to being acquired by CloudCoCo it was part of IDE Group Holdings PLC ("IDE").

IDE Group Connect has circa 570 customers, mainly comprising of large private sector organisations. 40 of these organisations are IT managed service customers and 530 are data centre and networking customers, operating across infrastructure located in 33 data centres across the UK. The IDE Group Connect business recorded an adjusted EBITDA* of £(0.9) million on revenues of £13.1 million in the unaudited accounts for the year to 31 December 2020, with 93% of those revenues being contracted and recurring.

In June 2021, IDE acquired Nimoveri Limited, an IT managed services business, and which is now a subsidiary of IDE Group Connect. Nimoveri has circa 90 customers in the SME space and recorded an adjusted EBITDA of £0.1 million on revenues of £0.5 million in the unaudited accounts for the year to 31 December 2020. CloudCoCo is pleased to report that Adam Eaton, founder of Nimoveri and current Managing Director of IDE Group Connect will lead a short and accelerated full rebrand and integration programme.

The majority of colleagues joining CloudCoCo from the Acquisitions are technically accredited engineers across the Microsoft stack as well as in cloud infrastructure, data centres, networking, IT support and digital transformation. This adds to the array of talented technical staff already in CloudCoCo.

Strategic Rationale

CloudCoCo has a goal of becoming one of the UK's fastest growing IT Services company, through organic growth and continuing its buy and build strategy. Its acquisition strategy focuses on identifying companies with talented individuals operating in businesses that are subscale and can benefit from being part of a larger organisation. The Group's growth strategy is to drive additional revenue from existing customers whilst also targeting larger clients that have significant IT budgets. CloudCoCo aims to become the supplier of choice in the industry by offering exceptionally high levels of service at a price point that is competitive in the marketplace.

Since the acquisition of CloudCoCo Limited by Adept4 plc in October 2019 and subsequent name change to CloudCoCo Group plc, the new management team has successfully turned the business around through a simple focus on doing the basics right – this included re-organising and re-energising customer support teams, reducing response and resolution times, optimising the sales function, rationalising costs, and promoting a strong company culture. This process was known internally as the 'get well' phase.

Management has since progressed through to the 'get fit' phase – where there was a greater emphasis on new business development. With the fundraising and acquisition of Systems Assurance and More Computers in August 2021, CloudCoCo entered the 'get bigger' phase with a focus on building scale through profitable and sustainable growth.

The management of CloudCoCo has identified IDE Group Connect and Nimoveri as being an excellent fit for the Group. Together they bring a significantly enlarged customer base with a host of new cross-selling opportunities, significant contracted recurring revenue, new technological capabilities, and talented colleagues with skillsets that complement the existing CloudCoCo workforce.

Management sees significant potential in the acquired businesses and believes that through adopting the same disciplined approach used to address Adept4's legacy issues, it can improve customer retention, increase sales, reduce costs and ultimately generate meaningful profits. This will be the immediate focus for the CloudCoCo management team.

Acquisition terms

The Acquisitions were acquired from IDE on a normalised net cash basis for a consideration of £250,000, funded via a loan note from IDE for £250,000 to be repaid over five years with an annual interest rate of Bank of England base rate +3% with no payments due in the first six months. The net assets acquired under the transaction equate to £250,000, including a cash balance of £400,000.

In addition, IDE will provide CloudCoCo with a working capital facility of up to £500,000 to help fund the initial restructure of the IDE Group Connect business. Amounts drawn will be convertible into new ordinary shares of CloudCoCo at 1p per share if not repaid by 19 October 2022.

IDE and CloudCoCo have also undertaken to agree terms of a Transitional Services Agreement by 29 November 2021 to ensure a smooth transition over a number of months of various contracts and shared services.

The consideration terms reflect the current financial state of the IDE Group Connect business, the limited-scope warranties offered by IDE and the small number of unprofitable contracts contained within the business. Returning the IDE Group Connect business to profitability and seeking to restructure these unprofitable contracts will be the initial areas of focus for the CloudCoCo team. CloudCoCo has identified a number of good opportunities within the Acquisitions as outlined above.

The acquisition of IDE Group Connect and Nimoveri is a related party transaction pursuant to rule 13 of the AIM Rules for Companies, due to MXC Guernsey Limited owning 10.6 per cent. of the Company's issued share capital and 34.8 per cent. of IDE's issued share capital. The Directors of the Company (save for Jill Collighan who is not deemed independent for this purpose) consider, having consulted with the Company's Nominated Adviser, that the terms of the transaction are fair and reasonable insofar as the Company's shareholders are concerned.

Commenting on the Acquisitions, Mark Halpin, CEO of CloudCoCo, said:

"The acquisition of IDE Group Connect and Nimoveri is truly transformational for CloudCoCo and provides us with the scale required to target bigger customers with larger budgets, as well as serving as a great catalyst for future expansion.

Together, the Acquisitions will almost double our current annualised revenues to around £27 million and take our customer base to more than 1,000, with a multitude of new sales opportunities across the board including enhanced private, hybrid and multi-cloud transformation projects through the addition of customer infrastructure in 33 data centres.

We have demonstrated our ability to reset, recover and grow businesses of this nature by keeping things simple, and we are confident we will be able to replicate the success of the past couple of years with the acquired businesses.

I've been very impressed with the IDE Group Connect and Nimoveri teams. They are exceptionally talented and will complement the CloudCoCo group. I would like to take this opportunity to welcome them to the CloudCoCo family.

To all our customers and partners across the enlarged Group, I would like to reiterate the Company's commitment to ensuring you receive the best possible experience when you choose to work with CloudCoCo, and to all colleagues – new and old – the Chairman and Board thank you for your support. The dedication and passion of our people has been fundamental to the real progress we have made so far and will continue to be as we move into this next exciting phase of development."

*Adjusted EBITDA is defined by IDE as earnings before interest, tax, depreciation, amortisation, impairment charges, exceptional items, loss on disposal of fixed assets and share-based payments. In 2020, IDE Group plc reviewed the carrying value of goodwill, trademarks and customer relationships, contracts and other assets relating to IDE Group Connect Limited which resulted in an impairment charge of £14.0m for the year to 31 December 2020.

Contacts:

CloudCoCo Group plc
Mark Halpin (CEO)
Darron Giddens (CFO)

Via Alma PR

Allenby Capital Limited – (Nominated Adviser & Broker)
Jeremy Porter / Freddie Wooding – Corporate Finance
Tony Quirke / Amrit Nahal – Sales & Corporate Broking

Tel: +44 (0)20 3328 5656

Alma PR – (Financial PR)
David Ison
Josh Royston
Kieran Breheny

Tel: +44 (0)20 3405 0205
cloudcoco@almapr.co.uk

About CloudCoCo Group plc

Supported by a team of industry experts and harnessing a diverse ecosystem of partnerships with blue-chip technology vendors, CloudCoCo makes it easy for private and public sector organisations to work smarter, faster and more securely by providing a single point of purchase for their connectivity, telephony, cyber security, cloud, IT hardware and support needs.

CloudCoCo has offices in Warrington, Leeds and Sheffield in the UK.

www.cloudcoco.co.uk