

RNS Number : 6548E
EKF Diagnostics Holdings PLC
10 May 2017

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 (MAR).

EKF Diagnostics Holdings plc
("EKF", the "Company")

**Trading update &
Update re: possible demerger and share buyback**

EKF Diagnostics Holdings plc (AIM: EKF), the AIM listed point-of-care business, wishes to update shareholders on its current trading and the proposals it set out in its announcement on 20 March 2017.

Trading update

The Company is pleased to announce that trading in the first quarter of the current financial year was comfortably ahead of budget. The strong start to the financial year is entirely attributable to organic growth. However, whilst the Board remain optimistic about the Company's prospects for the full year, there can be no guarantee that this will continue for the remainder of the year given the relatively short lead time on new orders.

In addition, as anticipated in its announcement on 9 January 2017, the Company was net cash positive in the first quarter of the 2017 financial year following continued strong cash generation.

Possible demerger and share buyback

The Directors are continuing to evaluate plans under which they would split the Company into two separate legal entities based on the business divisions, namely Point of Care and Lab Diagnostics. As previously announced, whilst both these business divisions are valuable in their own right, the Directors consider that separating them into distinct legal entities represents a better route for shareholders and one under which they are more likely to achieve a fair reflection of the value of each separate business.

Whilst tax advice and work on the possible deal structure is ongoing, it is the Board's latest understanding that the demerger can be carried out at subsidiary level and therefore, initially at least, remain within the existing EKF group. EKF Diagnostics plc will remain as the ultimate parent company of both legal entities and importantly also remain quoted on AIM. Further, whilst the initial demerger can be carried out intra-group, the Board's current expectation is that the Lab Diagnostics business will nevertheless be spun-out of the EKF Group at an appropriate point.

The Company continues to evaluate the possibility of a share buyback offer to shareholders at 21.5p enabling them to exit their shareholding in cash. However, in view of the fact that the current advice is suggesting that EKF can, for the time being at least, remain both the ultimate parent of both business divisions and quoted on AIM, the original purpose of the proposed share buyback, namely to provide a potential exit for shareholders that could not or did not wish to hold shares in private companies, now seems less important. Accordingly, the Board is now contemplating a more limited share buyback offer of up to 15% of the Company's current issued share capital.

There can of course be no guarantee that the above proposals, including any share buyback, will be capable of being completed in the manner currently anticipated. Further announcements will be made at the appropriate time.

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