

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF THE UK VERSION OF THE MARKET ABUSE REGULATION (EU) NO. 596/2014, AS IT FORMS PART OF UK LAW BY VIRTUE OF THE EUROPEAN (WITHDRAWAL) ACT 2018 AND CERTAIN OTHER ENACTING MEASURES ("UK MAR").

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

Acquisition of US based Advanced Diagnostic Laboratory LLC

All-share initial payment for earnings enhancing, cash generative acquisition

New testing capacity complements test kit manufacturing and point-of-care diagnostic instrument business

EKF Diagnostics Holdings plc (AIM: EKF), the AIM-listed point-of-care business, announces that it has agreed to acquire, pursuant to the terms of a securities purchase agreement dated 27 September 2021 ("SPA"), the entire issued capital of Advanced Diagnostic Laboratory LLC ("ADL Health"), a Texas based PCR-focused testing laboratory certified under the Clinical Laboratory Improvement Amendments ("CLIA") for high complexity testing, for an initial consideration payment of \$10 million payable in shares on completion, with further performance-based consideration payable over the following three years as detailed below (the "Acquisition").

ADL Health's CLIA-certified laboratory covers the fields of clinical, forensic and microbiological tests. The business has ISO 15189 Medical Laboratory accreditation giving it recognition in 44 countries and reflecting ADL Health's commitment to high standards. Using its expertise in Polymerase Chain Reaction (PCR) testing, ADL Health also provides COVID testing needs for dozens of Fortune 500 companies and government agencies. In addition, ADL Health is expanding its range of testing capabilities across a broader suite of healthcare applications. Under EKF's ownership, further investment is anticipated to support the deployment of additional equipment and personnel in order to service customer demand.

ADL Health was founded in May 2020 by a management team with over 60 years' experience in the diagnostics field. Unaudited management accounts for the six months to 30 June 2021 showed revenue of \$6.3 million and earnings before interest, taxes, depreciation and amortisation ("EBITDA") of \$2.6 million. ADL Health has grown significantly since inception and the management teams of EKF and ADL Health consider that the business has continuing, strong growth prospects as part of the enlarged EKF Group. While the growth of ADL Health has been accelerated by revenue from COVID testing, its wider testing offer, including current and planned

capabilities, is considered by the EKF Board to provide an attractive platform to both complement and broaden the Group's existing diagnostics capabilities.

The ADL Health business is cash generative and the Acquisition is expected to be immediately earnings enhancing. The initial share-based consideration is subject to a two-year lock-up, with earnout payments subject to lock-up and orderly market arrangements, as described below.

Mike Salter, President of EKF Diagnostics' Americas and Chief Executive Officer Designate of EKF, commented: *"We are delighted to have agreed terms for the acquisition of ADL Health and believe this represents a highly attractive and earnings accretive transaction. Strategically this is an excellent move for us as it positions EKF as a leading provider of diagnostic products and services, including a testing offering that our industry partners have been looking for us to provide.*

"The ability to offer testing for a wide range of diseases, combined with our existing point-of-care device, reagent, sample collection, kitting and manufacturing services, positions us as a single provider able to encompass all products and services from 'sample-to-result'.

"It is also reassuring to EKF's shareholders that the vendors of ADL Health have been willing to accept all of the up-front consideration in shares, with further paper available as part of the earnout structure. This reflects their confidence in our shared vision for the future of the enlarged business and EKF's recently revised strategy for accelerated growth."

Stanley Crawford III, COO and Founder of Advanced Diagnostic Laboratory added: *"We are excited to become a member of the EKF Diagnostics family. The combination of a premier CLIA lab with a powerhouse such as EKF not only creates a whole new capability for the Group but also provides the combined Group compelling opportunities to drive growth by meeting more of our clients' needs."*

Transaction details

Completion

Pursuant to the terms of the SPA, EKF has agreed to establish a special purpose Texas limited liability company as a wholly owned subsidiary, so that ADL Health is able to merge with the newly incorporated company and file a certificate of merger or other instrument with the Secretary of State of the State of Texas, effecting the merger under Texas law.

Completion of the Acquisition ("Completion") will occur at such time as the certificate of merger has been duly filed with and acknowledged by the Secretary of State of the State of Texas. The certificate of merger was filed on Monday 27 September 2021 and is expected to be acknowledged in the next one to two weeks.

Up-front consideration

The up-front consideration payment will be paid upon Completion and will be satisfied by the issue of new ordinary shares ("Consideration Shares") in the capital

of the Company. The value of the Consideration Shares will be equal to the initial purchase price of \$10 million, less the sum of certain amounts payable by ADL Health to third-party service providers which will be made by EKF on behalf of ADL Health.

The value of the Consideration Shares will be calculated using the average of the closing middle market quotation for an ordinary share of EKF for each of the five working days immediately preceding the date of Completion. The number of Consideration Shares will be confirmed in a subsequent announcement.

Additional consideration

Subject to the EBITDA performance of ADL Health for each of the three yearly periods ending on the first, second and third anniversaries of completion, additional consideration will be payable to the vendors of ADL Health ("Earnout Payments").

Provided always that the ADL Health's EBITDA ("ADL EBITDA") for the relevant period (as set out below) is not less than \$5 million, EKF shall make Earnout Payments to the vendors calculated as to:

- (1) 30% of ADL EBITDA for the period from the day following completion to the first anniversary of completion; plus
- (2) 20% of ADL EBITDA for the period from the day following the first anniversary of completion to the second anniversary of completion; and
- (3) 10% of ADL EBITDA for the period from the day following the second anniversary of completion to the third anniversary of completion

The aggregate Earnout Payments are capped and will not exceed \$60 million. The Earnout Payments will be satisfied by the further issuance of EKF ordinary shares covering 50% of each Earnout Payment, with the remaining 50% to be satisfied at the discretion of the ADL Health vendors in either cash or further EKF ordinary shares. The price per share issued to satisfy any Earnout Payment will be calculated using the average mid-market closing price of EKF's shares for the five working days immediately preceding the issuance date of such shares. If the share price falls below 60 pence during the earnout period and subject to prior consultation with the vendors in good faith, EKF has the right to satisfy any Earnout Payments using cash only.

Lock-ups and orderly market arrangements

The Consideration Shares will be subject to a lock-up period of two years commencing on completion. Certain sales are permitted under the lock-up provisions as outlined below, provided always that EKF and its brokers have given their prior written consent and any such sale is effected through EKF's brokers in such manner as they may reasonably require with a view to maintaining an orderly market in the trading of EKF shares:

- (1) after the date that is sixty (60) days following completion, the vendors may sell in aggregate up to twenty percent (20%) of the total number of

Consideration Shares held by them collectively;

- (2) after the date that is six (6) months following completion, the vendors may sell up to a total of fifty percent (50%) of the total number of Consideration Shares (including any such shares sold under (1) above); and
- (3) after the first anniversary of the completion date, the vendors may sell all of the Consideration Shares held by them.

In certain limited circumstances, the maximum permitted selldown amounts or timings may be increased or shortened respectively, at the discretion of the Company and its nominated adviser.

In addition, any shares issued in the capital of EKF as consideration or part consideration for the first Earnout Payment above will be subject to the same restrictions as the Consideration Shares, i.e. they will be locked up until the second anniversary of Completion and subject to the same phased selling restrictions which are applicable from the date of issue of such shares. Any EKF shares issued in respect of subsequent Earnout Payments will be subject to an orderly market requirement that all sales will be effected through the Company's brokers.

Admission of the New Ordinary Shares to trading on AIM and Total Voting Rights

Application will be made for admission of the relevant number of Consideration Shares to trading on the AIM Market of the London Stock Exchange ("Admission"), which is expected to occur as soon as practicably possible after Completion. A further announcement will be made confirming Completion and the expected Admission date, at which time the Company's Total Voting Rights will also be updated.

The Consideration Shares will, when issued, be credited as fully paid and will rank equally in all respects with the existing ordinary shares, including the right to receive any dividend or other distribution declared, made or paid after Admission.

EKF Diagnostics Holdings plc

Christopher Mills, Non-executive Chairman
Julian Baines, CEO
Richard Evans, FD & COO

www.ekfdiagnostics.com

Tel: +44 (0)29 2071 0570

N+1 Singer (Nominated Adviser & Joint Broker) Tel: +44 (0)20 7496 3000

Aubrey Powell / George Tzimas / Tom Salvesen

Investec Bank plc (Joint Broker)

Gary Clarence / Daniel Adams

Tel: +44 (0)20 7597 4000

Walbrook PR Limited

Paul McManus / Lianne Cawthorne

Tel: +44 (0)20 7933 8780 or ekf@walbrookpr.com

Mob: +44 (0)7980 541 893 / +44 (0)7584 391 303

About EKF Diagnostics Holdings plc (www.ekfdiagnostics.com)

EKF is a leading point-of-care diagnostics and central laboratory assay manufacturer with an estimated 80,000 hemoglobin, hematocrit, HbA1c, glucose and lactate

analysers in regular use across more than 100 countries. EKF specialises in developing tests for use in anemia and diabetes diagnosis and management, as well as providing a portfolio of reagents for use in clinical chemistry analysers.

EKF specialises in the development, production and worldwide distribution of point-of-care analyzers and clinical chemistry reagents for use in hospital and research laboratories, doctor's offices, blood banks and for in-field anaemia screening programmes. EKF is also a bulk manufacturer of enzymes and has custom manufacturing facilities in the across sites in the US, UK and Europe for a variety of life science products. Demand for contract manufacturing of COVID-19 sample collection tests and kits has grown dramatically during the pandemic, however the capabilities can be applied to other areas of diagnostic testing, molecular disease and forensic test manufacture.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lse.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

ACQEAENXAAKFEAA admin Acquisition of Advanced Diagnostic Laboratory LLC 32150975 A Tue, 09/28/2021 - 07:00 LSE RNS Mergers, Acquisitions and Disposals EKF