

# Acquisition of ID Business from Omega Diagnostics

RNS Number : 8303S

Novacyt S.A.

28 June 2018

Novacyt Announces Acquisition of Infectious Disease Business from Omega Diagnostics

Accelerating profitability by expanding the Lab21 business with complementary products

Paris, France and Camberley, UK - 28th June 2018 - Novacyt (EURONEXT GROWTH: ALNOV; AIM: NCYT), an international specialist in clinical diagnostics, is pleased to announce that its protein diagnostics division, Lab21 Products (Lab21), has unconditionally entered into an asset purchase agreement to acquire the Infectious Disease (ID) business from Omega Diagnostics Ltd (AIM: ODX, "Omega Diagnostics"), for an initial consideration of £1.8 million, up to £2.175 million in total, subject to the achievement of certain milestones (the "Acquisition").

## Highlights

- Highly complementary product range increases offering and global reach of Lab21, opening new sales channel opportunities, particularly on the African continent
- Adds £2.49 million of annual sales and positive operational cash flows
- Acquisition is expected to be immediately earnings accretive in the second-half of 2018
- Cost synergies immediately anticipated as a result of leveraging existing commercial infrastructure within Novacyt, leading to an operating margin expansion for the ID business
- Revenue synergies targeted from 2019
- Additional manufacturing through the purchase of certain assets based in Axminster, UK providing a more competitive manufacturing position and increasing production capability
- Transaction multiple of 0.9x sales (to unaudited financial year end 31 March 2018), pre-realisation of any expected synergies

## Infectious Disease Business

The ID business specialises in the manufacture of a range of diagnostic kits, in particular for syphilis and febrile antigens, as well as a range of latex serology tests for rheumatoid factor, C-reactive protein, antistreptolysin and systemic lupus erythematosus.

Lab21 will assume the commercial rights to five core registered brands, which comprise enzyme immunoassays microtitre plates, latex agglutination, fluorescence and rapid lateral flow tests. The brands include; Immutrep, Avitex, Micropath, Pathozyme and other smaller brands including Betatex, Avistrep, Avistaph and Virotect. In addition, Lab21 will be granted a time-limited licence for the use of the name Visitect for certain lateral flow tests excluding Omega Diagnostics' Visitect CD4 assets, all of which will remain with Omega.

Unaudited results for twelve months to 31 March 2018 showed sales of the Omega ID business of £2.49 million and EBITDA profitability of £310,000. Novacyt expects to see similar sales in the first twelve months of ownership and material cost synergies are anticipated immediately as a result of leveraging existing commercial and manufacturing infrastructure within Novacyt, leading to operating margin expansion. Revenue synergies are expected over the subsequent twelve months.

#### Terms of the Agreement

Under the terms of the asset purchase agreement, the total consideration, to be fully satisfied through cash consideration, will be up to £2.175 million subject to performance, comprising:

- (i) £1.8 million upon completion,
- (ii) £175,000 paid after twelve months upon completion of technology transfer and,
- (iii) £200,000 paid upon the successful accreditation of the Axminster, UK production facility to certain standards.

The full consideration of £2.175 million if paid represents a modest multiple of 0.9x year sales.

The asset includes the customers, suppliers, trademarks, contracts, stocks, technical files and know-how in order to manufacture, distribute and market the ID assets. There will also be some manufacturing equipment which will come with a manufacturing facility, though fixed assets will be a small part of the purchase.

Through TUPE, Novacyt expects to transfer two Omega employees only at this time. No management or directors will come across with the Acquisition.

Omega Diagnostics will assist Novacyt with the transfer of manufacturing from its Alva, Scotland site which is expected to take six months and will provide any technical assistance for up to twelve months. All sales orders, despatch and invoicing of the ID business unit will be undertaken by Novacyt from today.

Graham Mullis, Group CEO of Novacyt, added:

"I am delighted to agree terms to acquire the ID business directly from Omega Diagnostics. We have been looking to expand our Lab21 product range and the ID business is a perfect match with our current portfolio. This acquisition is expected to deliver material cost and growth synergies as we leverage the Novacyt infrastructure and integration will start immediately after completion. We continue to assess a deep pipeline of potential further acquisitions and I look forward to updating the market as we continue to deliver on our acquisitive growth objective."

Colin King, CEO Omega Diagnostics,

"In April we announced a strategic review of our business with a focus on VISITECT® CD4, Allersys and Food Intolerance products. The sale of the ID business is an important outcome of our review and we are delighted to be working with Novacyt where we expect the products and customers to be a good fit with the Lab21 Products division."

The information communicated in this announcement is inside information for the purposes of Article 7 of EU Regulation 596/2014.

- End -

#### Contacts

Novacyt SA

Graham Mullis, Chief Executive Officer

Anthony Dyer, Chief Financial Officer

+44 (0)1223 395472

Stifel Nicolaus Europe Limited (Nominated Advisor and Joint Broker)

Jonathan Senior / Fred Walsh / Ben Maddison

+44 (0)20 7610 7600

WG Partners (Joint Broker)

Nigel Birks / Chris Lee / Claes Spång

+44 (0)203 705 9330

FTI Consulting (International)

Brett Pollard / Victoria Foster Mitchell

+44 (0)20 3727 1000

brett.pollard@fticonsulting.com / victoria.fostermitchell@fticonsulting.com

FTI Consulting (France)

Arnaud de Cheffontaines / Astrid Villette

+33 (0)147 03 69 47 / +33 (0)147 03 69 51

arnaud.decheffontaines@fticonsulting.com / astrid.villette@fticonsulting.com

#### About Lab21 Healthcare

Lab21 is a developer, manufacturer and distributor of a large range of protein-based infectious disease in vitro diagnostic (IVD) products. Lab21 operates in an estimated €11.7bn total addressable market with a specific focus in microbiology, serology and haematology diagnostic markets. During the year to 31 December 2017, Lab21 sales increased 16% (CER) to €6.7m versus 2016 driven by the launch of multiple new products and entry into new territories. In line with the Group's continued commitment to commercial expansion, its new 15,000 square feet facility in Camberley now accommodates the increased manufacturing of Lab21's own products.

#### About Novacyt Group

The Novacyt Group is a rapidly growing, international diagnostics group with a growing portfolio of cancer and infectious disease products and services. Through its proprietary technology platform, NOVAprep®, and molecular platform, genesig®, Novacyt is able to provide an extensive range of oncology and infectious disease diagnostic products across an extensive international distributor network. The Group has diversified sales from diagnostic reagents used in oncology, microbiology, haematology and serology markets, and its global customers and partners include major corporates.

For more information please refer to the website: [www.novacyt.com](http://www.novacyt.com)

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@lseg.com](mailto:rns@lseg.com) or visit [www.rns.com](http://www.rns.com).

END

ACQUBUARWVANUUR