

SES-imagotag finalises Findbox GmbH and Pervasive Displays Inc. acquisition projects

Following the memoranda of understanding announced on 12 and 19 September respectively, SES-imagotag (Store Electronic Systems - Euronext: SESL, FR0010282822), specialist in digital solutions for physical commerce and world leader in electronic labelling systems, signed the final contracts relating to the respective acquisitions of Pervasive Displays Inc. in Taiwan and Findbox GmbH in Germany, which will be subject to the approval of the general meeting of shareholders of SES-imagotag, as well as that of the competent authorities.

Acquisition of Pervasive Displays Inc. (PDi)

Founded in 2010, Pervasive Displays Inc. (PDi) is an engineering company specialised in the design of very low-energy E-paper screens, based in Taiwan. PDi develops applications in various sectors such as logistics, health, industry and trade, with the latter being its most important market to date. PDi is the pioneer for the integration of E-paper screens in electronic shelf labels (ESL) and the leading company in this field. It is SES-imagotag's top partner for the supply of E-paper screens, and reciprocally, SES-imagotag is its top client. This operation is the result of many years of collaboration between the two companies to produce the best E-paper labels on the market.

PDi has seen continuous growth since its creation and in 2015, it achieved turnover of 30 million USD, with profits close to 3 million USD. The company has no debt and has surplus cash thanks to careful administration and excellent cost management. Taking into account its portfolio of projects, PDi anticipates strong growth of its external turnover (not including the sales to SES-imagotag, the volume of which will also increase), to such an extent that the additional consolidated turnover generated by the transaction could reach €30 to 40 million within the next 4 years (2020), from both non-retail applications and the turnover that the SES-imagotag group plans to achieve in Asia thanks to this transaction. This transaction therefore represents an important opportunity for SES-imagotag in terms of both growth and profitability.

The final agreement signed by the two companies provides for the full takeover of PDi by SES-imagotag, on the basis of an enterprise value (debt free / cash free) of €20 million, a value of approximately €24 million, taking into account the net estimated available cash of €4 million (subject to adjustment based on the financial statements of PDi on the date of completion of the transaction).

The acquisition price for 100% of PDi shares includes an initial amount estimated of €21 million and an additional price to be paid latter. The initial amount will be partly paid in cash, for nearly €4 million, and partly through the issue of 790,697 new SES-imagotag shares at a price of €21.50 per share, i.e. a sum equivalent to €17 million and a dilution of 6.76%.

The completion of this transaction is subject to the approval of the General Meeting of SES-imagotag, scheduled to take place at the end of November, as well as that of the competent Taiwanese authorities. The transaction also includes an additional price payable in cash in 2018 based on the performance of PDi in terms of profitable growth (capped in any case at €12 million), which should total €3 million to €6 million according to the current forecasts.

Finalisation of the Findbox Gmbh acquisition protocol

Founded in 2012 in Ettenheim (Germany), Findbox is a start-up specialised in innovative technologies for commerce. The company has developed an optical product recognition solution which enables the consumer to instantly find the desired product, all the while enabling the store employee to quickly and accurately place the products on the shelves. The winner of multiple awards, the Findbox solution enables retailers to offer a very useful service to their clientele and to increase their sales. In just 3 years, Findbox has undergone rapid growth and has installed its solution in more than 200 stores in Germany, France, Great Britain and the United States. Taking into account its order book and its commercial portfolio, the company forecasts turnover of about €5 million and expects to reach financial equilibrium next year. In light of the important commercial synergies that will be implemented between the two companies, SES-imagotag hopes to achieve, with this technology, several tens of millions of euros in additional turnover by 2020.

Following the acquisition of a minority shareholding in Findbox, SES-imagotag and the Findbox shareholders recently signed a final protocol for the full takeover of Findbox by SES-imagotag in two stages spread over a period of three years.

The first stage, set to be completed during the 4th quarter of 2016, would increase SES-imagotag's shareholding to 61.62% of the shares in Findbox, bringing SES-imagotag's total shareholding - including the 5.38% that it already held - to 67% of the share capital. This transaction will be fully paid for through the issue of 265,116 new SES-imagotag shares at a price of €21.50 per share, i.e. a dilution of 2.27%, subject to approval from the SES-imagotag General Meeting scheduled to take place by the end of the year. The second stage, planned for 2019, will see SES-imagotag' shareholding rise to 100% through the acquisition of all remaining Findbox shares still held by the company's founders and shareholders. The sum of this transaction, paid for in cash, will be variable, based on the fulfilment of performance criteria over the 2017 and 2018 financial years (although it cannot exceed €11 million).

General meeting scheduled for 2016 end of November or beginning of December

The shareholders of SES-imagotag will be invited to vote on these two external growth transactions during a general meeting scheduled to be held before the end of the year. In total, they will be asked proceed with the issue of 1,055,813 new shares, i.e. a total dilution of 9.03%, in order to acquire 100% of the shares of PDi and the majority (67%) of the share capital of Findbox. The SES-imagotag shares that are newly issued as payment for these transactions will be subject to a commitment by the sellers to retain the shares for a period of three years (except in the case of a public offer or clause permitting relief from the lock-in provision after two years).

This transaction structure, which was already one of the keys to the successful acquisition of imagotag, enables the company's financial resources to be preserved, which, incidentally, are vital in order to fund its strong organic growth. It also enables the alignment of the interests of the founders of the integrated companies to be maximised, with the goal of creating value for the company over the medium-term.

These two transactions, which are distinct but simultaneous, should enable the Group's growth to be accelerated, with the potential of an additional €50 to 80 million by 2020, as well as improving the profitability of SES-imagotag, if all else is equal.

Thierry Gadou, Chairman and Chief Executive Officer of SES-imagotag, concludes: *"Being able to convince these innovative technological companies to join us at this stage of their development proves that our ambition is motivating, our project is passionate and international, our team is talented and our culture is very entrepreneurial. These are some of our major assets in order to continue to move towards our goal of creating the world champion of the digital revolution of physical trade."*

About Store Electronic Systems (commercial trademark - SES-imagotag)

Store Electronic Systems is a specialist in digital solutions for physical trade and a world leader in electronic labelling systems. The Group designs and markets all the components of its solutions (software, radio-frequency infrastructure, labels and mounts), thus providing its clients with a turnkey

solution. The range of products and services offered by SES-imagotag allows retailers to manage pricing dynamically, while improving store productivity and developing new contactless uses for consumers.

Store Electronic Systems is listed in compartment B of the Euronext™ Paris

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