

SES-imagotag finalizes Findbox GmbH and Pervasive Displays Inc. acquisition project

Following the memoranda of understanding announced on September 12 and 19, SES-imagotag (Store Electronic Systems - Euronext: SESL, FR0010282822), specialist in digital solutions for omnichannel retail 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 SES-imagotag's Shareholders' Meeting and the appropriate regulatory authorities.

Acquisition of Pervasive Displays Inc. (PDi)

Founded in 2010, Pervasive Displays Inc. (PDi) is a display design house that develops ultra-low power e-paper displays for industrial applications. Based in Taiwan, PDi evolves in various sectors such as logistics, healthcare, industry and retail, with the latter being its most important market to date. In retail, PDi is a pioneer in the adoption of 'paper like' graphic displays in digital shelf labels and the leading company in this field. It is SES-imagotag's main e-paper display supplier, and reciprocally, SES-imagotag is its main client. This transaction is the natural extension of many years of collaboration between the two companies to produce the industry's best e-paper electronic shelf labels (ESLs).

PDi has seen continuous growth since its creation; in 2015, it achieved a turnover of \$30m, with profits close to \$3m. The company has no debt and has excess cash due to careful management and excellent cost control. Taking into account its portfolio of projects, PDi anticipates strong external sales growth (excluding revenues made with SES-imagotag, the volume of which will also increase), to such an extent that the incremental consolidated revenues generated by the transaction could reach €30m to €40m within the next 4 years (2020), from both non-retail applications and the sales that the SES-imagotag group plans to achieve in Asia with this transaction; thereby, representing an important opportunity for SES-imagotag both in terms of growth and profitability.

The final agreement signed by the two companies provides for the purchase by SES-imagotag of 100% of PDi's shares, on the basis of an enterprise value (debt free / cash free) of €20m, a value of approximately €24m taking into account the estimated net cash position of €4m (subject to adjustment based on the financial statements of PDi at the transaction completion date).

The acquisition price for 100% of PDi shares includes an initial amount estimated at €21m and an earnout to be paid at a later date. The initial amount will be partly paid in cash, approximately €4m, 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 €17m and a dilution of 6.76%.

The completion of this transaction is subject to the approval of the SES-imagotag Shareholders' Meeting, scheduled to take place at the end of November, as well as that of the relevant Taiwanese authorities. The transaction also includes an earnout (not exceeding €12m) payable in cash in 2018 based on the performance of PDi in terms of profitable growth, which should total €3m to €6m according to the current forecasts.

Finalization of the Findbox GmbH acquisition protocol

Founded in 2012 in Ettenheim (Germany), Findbox is a technology start-up specialized in innovative technologies for retail. The company has developed a leading-edge product-recognition technology that helps consumers to instantly find the desired product in store, while enabling employees to quickly and accurately place products on the shelves. The multi-award winning Findbox system offers a whole new range of customer services and sales opportunities for retailers. 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 pipeline, the company projects sales of around €5m and expects to break even next year. SES-imagotag will leverage Findbox's complementary technology assets, and hopes to achieve several tens of millions of euros in incremental revenues by 2020.

Following the acquisition of a minority stake in Findbox, SES-imagotag and Findbox shareholders' recently signed a final agreement for the purchase by SES-imagotag of 100% of Findbox shares in two stages spread over a 3-year period.

The first stage, set to be completed during the 4th quarter of 2016, aims at acquiring 61.62% of the shares in Findbox, bringing SES-imagotag's total stake - including the 5.38% that it already holds - to 67% of the share capital. This transaction will be fully paid for through the issuance of 265,116 new SES-imagotag shares at a price of €21.50 per share, i.e. a dilution of 2.27%, subject to the approval of the SES-imagotag Shareholders' Meeting scheduled to take place by the end of the year. The second stage, planned for 2019, will see SES-imagotag's stake rise to 100% through the acquisition of all remaining Findbox shares held by the company's founders and shareholders. The amount of this last tranche will be based on performance criteria over the 2017 and 2018 financial years (not exceeding €11m).

Shareholder's Meeting scheduled for end of November 2016

SES-imagotag's shareholders will be asked to vote on these two transactions during a Shareholders' Meeting scheduled to be held before the end of the year. They will be asked to approve the issuance of a total 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 a majority stake (67%) in Findbox. The newly-issued SES-imagotag shares will be subject to a lock-up period of three years (excluding in case of public offering and partial relief flexibility after two years).

This transaction structure, already one of the critical success factors of imagotag's acquisition, preserves SES-imagotag's cash resources, which are required to fund its strong organic growth. It also enables to align the target companies' founders on SES-imagotag's medium-term value creation goals.

These two distinct but simultaneous transactions should accelerate the Group's growth, with the potential of an additional €50m to €80m by 2020, as well as improve SES-imagotag's profitability.

Thierry Gadou, Chairman and Chief Executive Officer of SES-imagotag, concludes: *"We are able to convince these technology start-ups to join us at this early-development stage thanks to our motivating and global ambition, our strong talents and entrepreneurial culture. These are some of our key assets to succeed in becoming the world leader of the digital transformation of physical commerce."*

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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