

8 October 2018

**PCF Group plc**

**(“PCF”, the “Company” or the “Group”)**

**PCF to Acquire Azule, a UK Market Leader in the Provision of Specialist Funding and Leasing Services to the Broadcast and Media Industry**

In line with the Company’s strategy to grow both organically and by acquisition, PCF is pleased to announce that its wholly-owned subsidiary, PCF Bank Limited, has agreed to acquire the entire issued share capital of Azule Limited (“Azule”) for a total consideration of up to £5.6 million (the “Acquisition”).

Azule is a UK market leader in providing specialist funding and leasing services to individuals and businesses in the broadcast and media industry. Azule also operates in the audio visual and photography markets and offers its services across Europe, as well as in the UK. Azule has been providing finance in broadcasting, media, audio visual and other related industries for more than 20 years and it has built a strong market presence, with a sales capability to place asset finance to a wide range of banks and lending institutions, as well as originating asset finance for their own portfolio.

The Acquisition offers revenue synergies with the Company’s existing asset finance operations, given Azule’s focus on a niche class of business-critical assets with strong collateral characteristics and lending to prime credit grade customers. For the year ended 30 June 2018, Azule originated £54.3 million of asset finance, reported revenues of £3.1 million, a profit before tax of £0.8 million and the gross assets were £17.9 million. The Acquisition will immediately enhance Group earnings.

The Acquisition provides for an initial consideration of c.£4.1 million, of which c.£3.3 million will be settled in cash. The balance of the initial consideration will be satisfied by PCF issuing 1,923,076 new ordinary shares of 5 pence each (“Consideration Shares”) at 39 pence per share, representing an aggregate value of approximately £0.8 million, to the Azule management team. The Consideration Shares are subject to a lock-up period of two years, with orderly market conditions attached after this period. An additional earn-out is payable in the form of two deferred cash consideration payments totalling up to £1.5m over a period of two years. The earn-out provisions are dependent on pre-agreed performance criteria. In addition, the directors of Azule have entered into service agreements with the Company for fixed periods of up to 42 months.

The initial cash consideration will be funded by the Company’s existing cash and capital resources and the issue of the Consideration Shares is within the authorities granted to the Company at the Annual General Meeting held on 2 March 2018.

The Acquisition is subject to FCA approval for change of control, which is expected shortly. The Company will apply for admission of 1,923,076 Consideration Shares to trading on AIM following FCA approval for change of control. Following admission of the Consideration Shares, the Company’s issued share capital will consist of 214,152,601 ordinary shares.

*Acquisition highlights*

- Strong vendor relationships with leading broadcast and media equipment manufacturers
- A team of 17 sales and finance professionals
- A capability to originate over £50 million of asset finance per annum, with excellent growth potential

- A history of strong profitability with most recent annual profits being £0.8 million and a return on equity of 27%
- A £16 million portfolio of receivables, with an exceptionally low impairment charge
- Immediate funding synergies with PCF Bank's access to lower cost retail deposits
- Leasehold offices located in Datchet, Berkshire
- The effective date of the Acquisition will be 30 September 2018

#### *Strategic fit*

- A new asset class within PCF's existing asset finance market
- A new route to market through direct vendor channels
- Potential of a European distribution channel for vendor relationships
- Synergies with existing infrastructure, expertise and finance products
- Experienced team in-situ
- Meaningful contribution to the Company's target £750 million portfolio by September 2022
- Meets target key performance criteria for return on equity and profitability
- Management and business are a good cultural fit

The Company will announce a full year trading update on the earlier of the FCA approval of the Acquisition or 22 October 2018.

#### **Scott Maybury, Chief Executive of PCF, commented:**

"Our acquisition strategy is focused on the diversification of both our asset classes and routes to market. Azure ticks both boxes and is immediately earnings enhancing.

"The acquisition of Azure is a clear demonstration of the mutual advantages offered by the acquisition of an established asset finance business by PCF. As part of PCF Bank, Azure will be able to access a lower cost of funds enhancing profitability, enabling faster growth and accelerating PCF's achievement of portfolio growth targets.

"We are very pleased to welcome Azure to the Group – they are an impressive team and will contribute significantly to PCF."

#### **Peter Savage, Chief Executive of Azure Limited, commented:**

"We are delighted to become a part of PCF. Azure has been a very successful business to date and the advantages we gain as part of a larger group will propel the business into its next phase of growth."

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**Note**

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

**About PCF Group plc ([www.pcf.bank](http://www.pcf.bank))**

Established in 1994, PCF Group plc is the AIM-quoted parent of the specialist bank, PCF Bank Limited. With the advent of a banking operation, the Group has the capability to increase its lending portfolio significantly, with target portfolio sizes of £350 million in 2020 and £750 million in 2022. The Group will retain its focus on portfolio quality and has the capability to lend increasingly to prime segments of its existing finance markets. The Group will also seek to diversify its lending products and asset classes through acquisition.

PCF Bank currently offers retail savings products for individuals and then deploys those funds through its two lending divisions:

- Consumer Finance which provides finance for motor vehicles to consumers; and
- Business Finance which provides finance for vehicles, plant and equipment to SMEs.

The Group has a track record of strong financial performance and an efficient and scalable business model, with significant room to grow. Utilising its technologically advanced platform, the Bank provides both depositors and borrowers with a high level of service and a straightforward, simple range of products tailored to suit their needs.

For media enquiries please contact [media@pcf.bank](mailto:media@pcf.bank)