

This announcement contains inside information as stipulated under the Market Abuse Regulations (EU) no. 596/2014 (which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018) ("MAR"). With the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

28 January 2021

PipeHawk plc
("PipeHawk", "Company" or the "Group")

Acquisition of Utsi Electronics Limited

PipeHawk is pleased to announce that it has acquired the entire issued share capital of Utsi Electronics Limited ("UtEI") for a maximum consideration of £2 million (the "Acquisition").

Further details on UtEI

UtEI is a UK based manufacturer and designer of a wide range of special purpose ground penetrating radar ("GPR") systems which are sold around the world under the Groundvue brand through mature distribution channels. With these products and markets being complementary to those of PipeHawk's own brand systems, the Board of PipeHawk believes the acquisition will provide an enlarged portfolio of GPR system offerings into a significantly wider range of markets as well as offering excellent opportunity to extend R&D activities into the highly desirable Environmental/Water/Structural Faults markets and increase unit profitability across the dual product ranges achieved through enhanced marketing, rationalised designs and parts sourcing.

In the year ended 5 April 2020, UtEI recorded unaudited revenues of approximately £398,300 and an unaudited profit before tax of approximately £150,750. As at 5 April 2020, UtEI had net assets of approximately £715,000.

Further details on the Acquisition

The consideration for the Acquisition will be satisfied as an initial cash payment of £500,000, subject to adjustment based on UtEI's net asset value on completion, with any excess over £500,000 to be satisfied as 50 per cent. in cash and 50 per cent. in ordinary shares in PipeHawk (based on the Company's volume weighted average price of a PipeHawk ordinary share for the preceding 30 business days) ("Deferred Payment Shares").

In addition, UtEI will be entitled to further earn out consideration equivalent to 50 per cent. of the profits before tax attributable to UtEI (after adding back any management charges made by PipeHawk) in each of the first and second years following completion of the Acquisition, subject to a minimum of £2,000 per annum (the "Earn Out Consideration"). The Earn Out Consideration will be satisfied as to 50 per cent in cash and 50 per cent. in ordinary shares in PipeHawk (based on the Company's volume weighted average price of a PipeHawk ordinary share for the preceding 30 business days ("Earn Out Shares")). The total consideration payable to UtEI has been capped at £2 million.

The vendors of UtEI have undertaken not to transfer any legal or equitable interest in any Deferred Payment Shares or Earn Out Shares for a period of two years after the date of issue of such shares with orderly market arrangements thereafter.

Gordon Watt, the Chairman of PipeHawk, has provided a personal guarantee to the vendors of UtEI under which he has guaranteed the prompt, full and complete performance of any and all existing duties and obligations of PipeHawk to the vendors of UtEI and the payment of any and all sums due to the vendors of UtEI under the terms of the sale agreement entered into in respect of the Acquisition. The maximum claim by the vendors of UtEI under this guarantee is limited to £500,000 provided that the initial cash payment of £500,000 has been made.

Application will be made for any Deferred Payment Shares and/or any Earn Out Shares to be admitted to trading on AIM in due course.

Gordon Watt, Chairman of PipeHawk, commented: “We have worked very well with UtEI in the past and I am delighted that we have been able to merge the PipeHawk GPR Division with UtEI. ”

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Notes to Editors

For further information on the Company and its subsidiaries, please visit: www.pipehawk.com