

4 January 2024

LPA GROUP PLC

("LPA", the "Company" or the "Group")

**Acquisition of Red Box International**

LPA Group plc, the innovation-led engineering specialist in electronic and electro-mechanical components and systems, today announces the acquisition of Red Box International Holdings Ltd ("Red Box"), a UK manufacturer of aviation ground power equipment (the "Acquisition"). The total consideration for the Acquisition is expected to be approximately £1.1m, of which £275,000 is being satisfied on completion, and £825,000 payable post-completion.

Red Box is a leading UK manufacturer of aviation ground power equipment with global reach and an established presence in the USA market. The Acquisition will provide a strong addition to LPA Connection Systems, the Group's Saffron Walden-based division, that designs, manufactures and supplies high quality specialist products for the aviation, rail, and infrastructure markets. This acquisition supports our long-term growth strategy whilst also lessening the Group's dependence on rail projects.

Red Box revenues for the year ended 31 December 2022 were £1,677,000, with adjusted EBIT of £81,000. Net assets as at 31 December 2023 were c.£750,000. The Acquisition is expected to be broadly neutral to FY2024 profit, and earnings enhancing in the Group's FY2025.

**Robert Horvath, Chairman of LPA said:** *"The acquisition of Red Box is a demonstration of the opportunities available to the Group to acquire businesses with high quality products and, within a relatively short period, high growth potential. Being part of LPA will provide scalability to boost Red Box's success. We look forward to welcoming Ian Harding and Red Box to the LPA Group."*

**Further details on the acquisition are listed below.**

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## **About LPA**

LPA Group plc (AIM: LPA) is an innovation-led engineering specialist in electronic and electro-mechanical components and systems.

Focused on transport (rail and aviation), defence, infrastructure and industrial markets and supplying into hostile and challenging environments, LPA is known for engineering solutions to improve product reliability, reducing maintenance and life cycle costs.

The Group has three sites across the UK, selling to customers in the UK and overseas. Two of these are design and manufacturing sites: LPA Connection Systems - electro-mechanical systems for rail, aviation and industrial, and LPA Lighting Systems - LED lighting and electronic systems for rail and infrastructure. The third site is LPA Channel Electric - a value added distributor of engineered components for rail, aerospace, and defence.

With over 160 years of UK design and manufacture, and with origins in the first ever light installed in 'Electric Avenue', Brixton; innovation is core to LPA and to the products and services supplied to our customers worldwide.

For more information visit [www.lpa-group.com](http://www.lpa-group.com)

## **The following information is disclosed in relation to the Acquisition.**

### **About Red Box International**

Red Box specializes in the manufacture of a comprehensive range of ground power units. These have won plaudits in both the civilian and military markets and hold ISO9001.2008 accreditation. The majority of the products are also NATO codified. Its network of distributors are able to provide overseas customers with local support and sales aftercare.

For the year ended 31 December 2022, Red Box achieved revenues of £1,677,000, adjusted EBIT of £81,000 (adjusted to exclude a one-off exchange gain) and profit before tax of £75,000 (adjusted to exclude a one-off exchange gain) all unaudited.

Based in Southampton, Red Box has been manufacturing a range of ground power units and associated support equipment since 1993. This includes start power units, continuous DC power supplies, ground power units and frequency converters. Ian Harding, who founded the business, will be retained by LPA as a consultant.

### **Acquisition rationale**

The Acquisition is in line with the Group's strategy of acquiring product driven businesses which are; considered by customers as a leading brand, bring access to our target markets, can be leveraged through our existing sales channels, and has potential for intercompany sourcing. This will utilise our existing manufacturing capabilities and be fully integrated into our Saffron Walden site. The acquisition is part of a plan to increase our product offering to the aircraft ground support market, which is already seeing strong growth with existing lines, through our recently enhanced sales network. We will also look to explore how this technology / product offering can be developed and exploited across the Group's other market sectors.

The LPA Board considers that there are long term growth drivers for Red Box's products and services based on a growing worldwide requirement for DC based charging technology.

## Consideration for the Acquisition

Total consideration is estimated at, and capped at, £1.1m, and consists of:

- Initial consideration of £275,000 paid in cash on completion (SPA entered into 4 January 2024, and completion expected during 4 January 2024),
- A second payment of £275,000 paid in cash shortly after the successful relocation of the business to Saffron Walden, expected to be approximately six months from Acquisition completion. This is dependent on the net assets of Red Box delivered at completion (being greater than £750,000). The net assets include plant and machinery, and net working capital and are valued at c.£750,000 as at 31 December 2023 (unaudited),
- A third payment of £275,000 paid in cash, payable by 31 December 2024,
- A fourth payment of £275,000 paid in cash, payable by 31 October 2025.

The cash consideration will be funded from existing cash resources and from the Group's revolving credit facility with Barclays UK Bank. As at 31 December 2023, the Group had cash of approximately £1.2m (unaudited), bank debt of £1.9m (unaudited) and £1.5m of undrawn bank facility.

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No statement in this announcement is intended to be a profit forecast or estimate and no statement in this announcement should be interpreted to mean that earnings per share of the Company for the current or future financial years would necessarily match or exceed the historical published earnings per share of the Company.

The information contained within this announcement is deemed to constitute inside information as stipulated under the retained EU law version of the Market Abuse Regulation (EU) No. 596/2014 (the "UK MAR") which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. The information is disclosed in accordance with the Company's obligations under Article 17 of the UK MAR. Upon the publication of this announcement, this inside information is now considered to be in the public domain.