



Concateno plc

Acquisition

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31 January 2007

CONCATENO PLC ('Concateno' or 'the Company')

Proposed Acquisition of Tricho-Tech Limited ('Tricho-Tech') for £11.25m

Placing of 6,298,077 New Ordinary Shares and 817,308 Consideration Shares of 10p at 130p per share

31 January 2007

Concateno PLC today announces the acquisition of Tricho-Tech, a leading provider of laboratory-based hair testing services for recreational drug abuse. Predominantly focused toward the family care sector, Tricho-Tech provides a complimentary fit to Medscreen and Altrix, Concateno's existing businesses, with a focus on a different testing methodology in an adjacent market.

Highlights

- Conditional agreement to acquire the entire issued share capital of Tricho-Tech a leading provider of laboratory-based hair testing services for recreational drug abuse, for a purchase price of £11.25 million on a cash free, debt free basis
- Concateno plc to raise £8,187,500 via a Placing of shares at 130p per share fully underwritten by Collins Stewart Europe Limited ('Collins Stewart')
- Acquisition funded through a combination of the Placing, an increase in existing Debt Facilities of £3,000,000 and the issue of Consideration Shares to the Vendors with a value £1,062,500 at the issue price of 130p a share
- The acquisition of Tricho-Tech is conditional upon the admission of the Placing Shares and the Consideration Shares, which is expected to occur on 1 February 2007
- Tricho-Tech is an established business, with strong gross margins and a management team with substantial technical experience
- The acquisition will be immediately EPS enhancing before synergies
- The Directors believe the particular strengths of Tricho-Tech are:

- Tricho-Tech operates in the high growth global life sciences testing market estimated at £450m and growing at up to 30% a year, with the UK being the fastest growing segment;
- Strong management team at the operating level, who will stay on with the enlarged group;
- Unique UKAS accreditation to ISO 17025 standards for testing oral, urine and hair samples for both screening and confirmations;
- Consistent profitable growth since inception, with sales of £3.1m in 2006, generating an EBITDA of £873,000;
- Broad customer base of over 3,000 clients principally in the police force and family services sector with international sales in Brazil, Australia and New Zealand; and
- Turnover growth of 41.7% in 2004, 78.2% in 2005 and 39.6% in 2006.

Application has been made for Admission of the Placing Shares and the Consideration Shares, which will all rank pari passu in all respects with the existing Ordinary Shares of the Company, to AIM and dealings in the Placing Shares and the Consideration Shares are expected to commence on 1 February 2007.

Keith Tozzi, Concateno plc said:

'We are very pleased to have reached an agreement with the management of Tricho-Tech, it is a very impressive high growth, high margin business, which will be immediately EPS enhancing for the group with an excellent track record of profitable growth.'

'Tricho-Tech represents the next piece in the jigsaw that gives Concateno the critical mass that no other player in the highly fragmented drug and alcohol testing arena has. Concateno will continue to consolidate the UK market and will look to expand internationally.'

For further information, call:

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Introduction

The Company announces today that it has entered into a conditional agreement to acquire the entire issued share capital of Tricho-Tech, the UK's leading provider of laboratory-based hair testing services for recreational drug abuse for a purchase price of £11,250,000 on a cash free, debt free basis. The Company will fund the payment of the consideration for the Acquisition through a combination of the Placing, the issue of Consideration Shares to the Vendors and

an increase in the existing Debt Facilities. The Acquisition is conditional only upon the admission of the Placing Shares and Consideration Shares to trading on AIM.

The Company has also announced today, that it proposes to raise approximately £8,187,500 (before expenses) by issuing 6,298,077 Placing Shares at the Placing Price of 130p per share. The net proceeds of the Placing will be used to fund a portion of the cash consideration for the Acquisition including the costs associated with the Acquisition. The Placing has been underwritten by Collins Stewart on the terms and conditions set out in the placing agreement, which the Company has today entered into with Collins Stewart.

Application has been made for Admission of the Placing Shares and the Consideration Shares to AIM and dealings in the Placing Shares and the Consideration Shares are expected to commence on 1 February 2007.

Background

Concateno acquired Medscreen for £30m, a global provider of drugs and alcohol testing services on 6 November 2006 and the recommended offer of Altrix, the specialist in the provision of saliva drug testing solutions, for £11m went wholly unconditional on 15 January 2007 and is expected to complete on 5 February 2007.

The Directors believe that the industry is fragmented and most participants are either privately owned or small, non-core divisions of larger testing businesses and that this presents a significant opportunity for industry consolidation across the UK and potentially into Europe. At the time of the acquisition of Medscreen, Concateno announced its intention to take advantage of perceived consolidation opportunities within the drug and alcohol testing sector. The acquisition of Tricho-Tech is the next step in achieving this objective.

Information on Tricho-Tech

Founded in 1993 and based in Cardiff, the privately owned Tricho-Tech focuses on detecting drugs of abuse, principally through testing hair samples. It employs 46 full time staff at its laboratory in Cardiff, which is a broad and in-depth testing facility, with the capability to test 14 drug groups and over 40 analytes.

The Company has a leading provider of results and reports to family lawyers in court cases across the UK. The specialist toxicology expertise and know-how significantly differentiates them from their competitors and their unique UKAS accreditation to ISO 17025 standards for testing oral, urine and hair samples for both screening and confirmations, gives them a wider range of drugs tested than any other UK competitor.

They have a broad customer base of over 3,000 clients principally in the police force and family services sector with international sales in Brazil, Australia and New Zealand.

Tricho-Tech has enjoyed consistent profitable growth since inception, with sales of £3.1m in 2006 generating EBITDA (pre-exceptionals) of £873,000 (based on unaudited management accounts).

Operations

Tricho-Tech offers a complete range of testing methodologies including hair, oral fluid, and urine. These services can be differentiated by the window available to detect drug misuse:

- Hair - hair testing allows for the monitoring of drug use/abstinence over months (rather than days or hours); it is the test of choice for monitoring treatment and recovery of drug users;
- Oral fluid (saliva) - will detect drug abuse for up to 24 hours after ingestion; and
- Urine - will detect levels of drug use between 1 and 4 days after use.

Full service offering

Tricho-Tech provides a full service offering which includes:

- Provision of kit to take the hair sample;
- Collection of the sample;
- Secure delivery back to the laboratory;
- Screening and analysis of the sample; and
- Certification of results and witness statement where required.

Management

John Wicks - Managing Director

John introduced the idea of hair analysis for Drugs to Cardiff Bioanalytical Services in 1993 where he was the Laboratory Manager from 1989 to 1997. He led the takeout of Tricho-Tech from Cardiff Bioanalytical Services as a separate concern in 1997. From 1985 to 1989 John set up and ran the toxicology unit at The Riyadh al Kharj Military Hospital in Saudi Arabia after 13 years as Biochemist at Guy's Hospital.

Lolita Tsanaclis, PhD - Laboratory Director

Lolita held research scientist positions at University hospitals in Brazil and Wales from 1975 to 1989. She was the Deputy Laboratory Manager of Cardiff Bioanalytical Services Ltd (CRO) from 1989 to 1996 before becoming Head of Analytical & Pharmacokinetics of Biodynamics Ltd (CRO) from 1996 to 1999. Lolita joined TrichoTech as Laboratory Director in 1999.

Graham Sievers - Marketing Director

Graham was a Business Analyst at British Telecom before being appointed Senior Manager at British Telecom in 1980. Graham was London Director and then 20/20 National Programme Director of Common Purpose from 1990 to 95 and was a lecturer of Business Studies and a Video-Conferencing Consultant from 1995 to 2000, before joining Tricho-Tech as Marketing Director in 2000.

Customers

Tricho-Tech has over 3,000 customers worldwide, with the legal/social services accounting for over 78% of total revenue in 2006.

The top 14 customers consistently represent approximately 30% of annual sales; most of the sales growth is generated from new accounts. The customer base has expanded with 550 new accounts 2002-2005.

Service level agreements are in place with Government Communication Bureau (GCB) and the police forces including West Midland Police and South Wales Police.

Tricho-Tech profit and loss

Year ended 31 December	2004	2005	2006
Turnover	1,264	2,225	3,107
Growth	42%	76%	40%
Cost of sales	(369)	(643)	(848)
Gross profit	895	1,609	2,250
Margin	71%	72%	72%
EBITDA	218	578	873
Margin	17%	26%	28%
Depreciation	(56)	(101)	(95)
EBIT	162	477	778

Note: EBITDA and EBIT are pre-exceptionals and for 2004 and 2005 exclude directors salaries and associated costs.

The results presented for 2004 and 2005 unaudited statutory accounts and for 2006 are based on unaudited management accounts.

Tricho-Tech had net assets of £868,000 at 31 December 2006.

Deal rationale

The Directors believe the particular strengths of Tricho-Tech are as follows:

- Tricho-Tech operates in the high growth global life sciences testing market estimated at £450m and growing at up to 30% a year, with the UK being the fastest growing segment;
- Strong management team at the operating level, who will stay on at the enlarged Group;
- Unique UKAS accreditation to ISO 17025 standards for testing oral, urine and hair samples for both screening and confirmations;
- Consistent profitable growth since inception, with sales of £3.1m in 2006, generating an EBITDA of £873,000; and
- Broad customer base of over 3,000 clients principally in the police force and family services sector with international sales in Brazil, Australia and New Zealand.

It is the intention of Concateno to leverage these strengths in the execution of its growth strategy and apply these perceived advantages to the business going forward.

The Company will continue to actively pursue other acquisition targets, with a view to implementing its consolidation strategy.

The Directors believe there is a significant opportunity for value creation by combining Tricho-Tech's specialist toxicology expertise and considerable intellectual property, with the commercial expertise and marketing functions of the Medscreen and Altrix businesses. In addition the Enlarged Group, consisting of Medscreen, Altrix and TrichoTech, will be able to take advantage of cross selling opportunities and cost synergies including reducing the administration and finance costs.

There is an opportunity for Tricho-Tech to undergo a substantial expansion utilising Medscreen's international infrastructure.

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