

Coolabi PLC - Acquisition and Placing

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Coolabi PLC
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For immediate release

Coolabi plc

('Coolabi' or 'the Company')

Proposed acquisition of Purple Enterprises Limited

Placing of 366,666,673 new Ordinary Shares at 1.5p per share

Admission of the Enlarged Issued Ordinary Share Capital to trading on AIM

And

Notice of Extraordinary General Meeting

COOLABI TO ACQUIRE PURPLE RONNIE

Release Highlights

- * Coolabi is to acquire Purple Enterprises Ltd, owner of all rights in the Purple Ronnie brand, for an initial cash consideration of £3.3m, with an earn-out of up to a further £1.5m depending on performance over the next two years. An additional £0.6m will be paid upon completion to reflect the cash in the business.
- * Privately owned by the creator Giles Andreae for 20 years, opportunities for growth include taking Purple Ronnie into new media and new territories.
- * Giles Andreae will enter into a two year service agreement with Coolabi and will also work with Coolabi in the pursuit of specific opportunities in the US.
- * The deal also includes the rights held in Purple Enterprises Ltd to certain of Giles Andreae's children's book titles including 'Rumble in the Jungle', 'Commotion in the Ocean', and 'Giraffes Can't Dance'.
- * The acquisition will be financed through a share placing to raise £5.5m (approximately £4.8m net of expenses) which has been fully underwritten by Evolution Securities. Additionally, this will enable the Company to continue to build upon its strategy of supplementing its existing portfolio of intellectual property by pursuing further selective acquisitions.

The Company's Chief Executive Jeremy Banks said:

'Our stated objective is to build Coolabi into a successful international

intellectual property business. The acquisition of Purple Enterprises represents a significant first step towards our objective and quite clearly transforms the business and its prospects. As Giles will testify, I have wanted to get my hands on this wonderful brand for a number of years and I am delighted that Purple Ronnie will be Coolabi's first major acquisition. All of us at Coolabi are looking forward to working with Giles and Purple Ronnie enormously.'

Creator and vendor Giles Andreae commented:

'I have enjoyed the journey that Purple Ronnie and I have shared together over the last 20 years and have great pride in what we have achieved. However, he is now of an age when it is right for him to leave home and I am excited about the potential for Purple Ronnie in his new home with Coolabi. I am looking forward to working with the Coolabi team, who are the perfect guardians to guide Purple Ronnie on his adventures over the next 20 years.'

Enquiries:

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Ingenious Corporate Finance advised Giles Andreae, the owner of Purple Ronnie, on the deal.

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Introduction

Coolabi today announces that it has, conditional, inter alia, on the approval of its Shareholders, agreed to acquire the entire issued share capital of Purple Enterprises. Purple Enterprises is the sole owner of Purple Ronnie and certain other children's intellectual property assets.

Initial consideration of £3.3 million is payable in cash upon completion. A further £0.6 million will be paid upon completion to acquire the cash in the business at that time, with up to a further £1.5 million payable based upon the financial performance of Purple Ronnie over a two year period after the completion of the Acquisition.

In order to fund the Acquisition, the Company is raising approximately £5.5 million (before expenses) for the Enlarged Group by means of a Placing of 366,666,673 new Ordinary Shares at 1.5p per share.

The proposed Acquisition is classified as a 'reverse takeover' under the AIM Rules by virtue of its size. As such, it is subject to the approval of Shareholders, which is to be sought at the Extraordinary General Meeting to be held on 30 April 2007. The Company today has sent a circular, incorporating an AIM admission document, to Shareholders (the 'AIM Admission Document').

Information on Purple Enterprises

Purple Enterprises is the owner of Purple Ronnie. Purple Ronnie was created in 1987 and has appeared on over 44 million themed greeting cards and in two million books, reaching the Sunday Times top 10 bestsellers lists every year since 2002. Purple Ronnie's extensive range of merchandise encompasses cards, mugs, toiletries, books, gadgets, confectionery, streetwear, stationery, toys, housewares and accessories.

At present the majority of sales are derived from the UK but the brand is to be tested by Hallmark in the United States of America, the initial results of which are expected by the end of 2007. On 6 September 2006, Hallmark entered into a new five year contract to continue to license Purple Ronnie.

The Market Opportunity

Purple Ronnie has been managed and owned by its creator since inception twenty years ago. Coolabi has the management team and infrastructure to facilitate the further exploitation of Purple Ronnie. Opportunities might include taking Purple Ronnie into new media and new territories.

Strategy of the Enlarged Group

The Company will continue to pursue the growth of its business through the development of its existing portfolio of intellectual property as well as via selective acquisitions to increase the number and range of properties in the Company's portfolio.

Intellectual property assets will continue to be developed and managed across both of its principal divisions.

Details of the Placing and use of proceeds

In order to finance the cash payable pursuant to the Acquisition Agreement, the Company is proposing to raise up to approximately £5.5 million, before expenses, by the issue of 366,666,673 new Ordinary Shares which have been conditionally placed with institutional and other investors, pursuant to the Placing, at 1.5p per Placing Share. The Placing Shares will represent 74.8 per cent of the Enlarged Issued Ordinary Share Capital. The Placing Shares will be issued credited as fully paid and will, on issue, rank pari passu with the Existing Ordinary Shares.

All of the Placing Shares being offered in the Placing are being placed by Evolution Securities and the Placing has been fully underwritten by them pursuant to the Placing Agreement. Evolution Securities, as agent for the Company, has agreed conditionally to use its reasonable endeavours to procure subscribers, or itself to subscribe, for the Placing Shares pursuant to the terms of the Placing Agreement.

The Placing is conditional, inter alia, upon Shareholder approval at the EGM. The Placing has been structured as a private placing, and Shareholders are therefore being asked to pass at the EGM the Resolutions which will disapply Shareholders' pre-emption rights and renew the authority of the Directors to allot relevant securities. The primary reason for there being no offer to Shareholders to purchase or subscribe for the Placing Shares is that the Directors believe it to be in the best interests of the Company and Shareholders as a whole to procure in the most cost-effective manner the funds necessary for completion of the Acquisition.

Directors' interests

All of the Directors of the Company, who currently hold between them interests in a combined total of 35,984,504 Ordinary Shares representing 29.1 per cent of the issued share capital of the Company, have irrevocably undertaken to subscribe for 7,500,001 Placing Shares at the Placing Price.

The interests of the Directors immediately prior to and immediately following the Placing will be as follows:

% of Enlarged Issued	Number of Ordinary Shares	Number of Ordinary Shares
	prior to the Placing	following the Placing
Ordinary Share Capital		
J Banks 2.45%	10,000,000	12,000,000
The Lord Brabourne** 1.43%	5,500,000	7,000,000
L Chrisfield 1.31%	5,749,988	6,416,655
W Harris*** 3.31%	13,583,334	16,250,001
L James* 0.37%	1,151,182	1,817,849
T Ricketts*** 0.14%	1,500,000	2,166,667

* L James' holding includes shares held beneficially by her spouse.

** In addition to the shareholdings noted above, The Lord Brabourne owns 133,333 shares jointly through Harrison Son Hill & Co. Ltd, a company in which he has an interest.

*** Included in the total for both W Harris' and T Ricketts' holdings are 1,500,000 shares prior to the placing and 2,166,667 following the placing held in the name of Avonglen Limited, a company in which both W Harris and T Ricketts hold a 25 per cent shareholding and of which both are directors.

Principal Terms of the Acquisition Agreement

Under the terms of the Acquisition Agreement, Coolabi has conditionally agreed to acquire the entire issued share capital of Purple Enterprises. An initial consideration of £3.3 million is payable in cash on completion. A further £600,000 will be paid upon completion to acquire the cash in the business at completion, with a further £1.5 million payable based upon the financial performance of Purple Ronnie over a two year period after the completion of the Acquisition. Upon completion North American distribution rights to Purple Ronnie will be granted to a newly incorporated company, PRNA Limited. The Company will

own 51 per cent of PRNA Limited, with the remaining 49 per cent owned by the Vendor. PRNA Limited is then appointing Coolabi as its representative in North America to exploit these rights.

The Acquisition Agreement is conditional, inter alia, on the passing of the Resolutions at the Extraordinary General Meeting and Admission.

Summary Financial Information on Purple Enterprises

A summary of the audited results of Purple Enterprises for the years ended 31 March 2004, 2005 and 2006 and for the period ended 31 December 2006 is set out below:

ended 31 March		Nine months ended	Year
-----		31 December	-----
2005	2004	2006	2006
£	£	£	£
Turnover		630,695	1,034,071
1,084,038	487,703		
Operating profit		273,436	278,202
352,327	211,834		
Profit on ordinary activities		290,791	293,619
372,259	232,979		
before taxation			
Profit for the financial period		225,617	236,880
289,950	188,092		
Net assets		786,732	671,115
544,235	806,285		

Extraordinary General Meeting

A notice convening the Extraordinary General Meeting of the Company to be held at 44 Southampton Buildings, London, WC2A 1AP at 11.00 a.m. on 30 April 2007 has today been sent to Shareholders. At this meeting the following resolutions will be proposed:

- (1) an ordinary resolution to approve the Acquisition;
- (2) an ordinary resolution to increase the authorised share capital of the Company from £3,300,000 to £7,000,000 by the creation of 370,000,000 Ordinary Shares of 1p each;
- (3) an ordinary resolution to give the Directors authority under Section 80 of the Act to allot relevant securities up to an aggregate nominal amount of £5,301,736 such authority expiring at the conclusion of the next Annual General Meeting; and
- (4) a special resolution to disapply the statutory pre-emption rights contained in Section 89(1) of the Act for the purposes of the Placing, to permit certain future issues to Shareholders on a pre-emptive basis and for the allotment of equity securities for cash up to an aggregate nominal amount of £4,157,188 such authority expiring at the conclusion of the Company's next Annual General Meeting.

Recommendation

The Directors have unanimously recommended to Shareholders that they vote in favour of the Resolutions as they have irrevocably undertaken to do in respect of their registered shareholdings, which total 27,304,783 Ordinary Shares (representing approximately 22.1 per cent of the Existing Ordinary Shares).

Expected Timetable of Principal Events

Latest time and date for receipt of Proxy Forms	11.00 a.m. on 27 April 2007
Extraordinary General Meeting	11.00 a.m. on 30 April 2007
Dealings commence in the Placing Shares	8.00 a.m. on 1 May 2007
Completion of the Acquisition	1 May 2007
Delivery in CREST of Placing Shares	8.00 a.m. on 1 May 2007

Acquisition and Placing Statistics

Placing Price	1.5 pence
Net proceeds of the Placing	£4.8 million
Number of Placing Shares to be issued pursuant to the Placing	366,666,673
Number of Ordinary Shares in issue following the Placing	490,520,871
Market Capitalisation at the Placing Price on Admission	£7.4 million
New Ordinary Shares expressed as a percentage of the Enlarged Issued Share Capital	74.8 per cent

Defined terms in this announcement are to have the same meaning as in the AIM Admission Document.

This information is provided by RNS
The company news service from the London Stock Exchange

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