



9 October 2017

Digital Barriers plc

Proposed disposal of the Video Business

Digital Barriers plc (AIM: DGB) ("**Digital Barriers**", the "**Company**" or, together with its subsidiary undertakings, the "**Group**"), the specialist provider of visually intelligent technologies to the global surveillance, security and safety markets, announces that it has conditionally agreed to sell the entire issued share capital of the Existing Group's Video Business to Volpi for a maximum aggregate consideration of up to £27.5 million in cash (the "**Disposal**").

Defined terms used in this announcement are set out in the appendix to this announcement.

The Disposal is of sufficient size relative to that of the Existing Group to constitute a disposal resulting in a fundamental change of business, pursuant to Rule 15 of the AIM Rules and Completion is, therefore, conditional upon the approval of Shareholders.

The Board believes that the terms of the Disposal represent good value for Shareholders and appropriately values the future growth of the Video Business against the uncertain nature and timing of that growth, which could require additional funding.

As such, the Independent Directors intend to unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting as they have irrevocably undertaken to do so in respect of their beneficial holdings amounting, in aggregate, to 11,222,677 Ordinary Shares, representing approximately 6.8 per cent. of the existing ordinary share capital of the Company.

Schroders Investment Management Limited has also given a letter of intent to vote in favour of the Resolution to approve the Disposal at the General Meeting in respect of 33,115,609 Ordinary Shares held or managed by it, representing 20.05 per cent of the existing issued share capital of the Company

A circular (the "**Circular**") containing, amongst other things, further details of the Disposal and the notice of the General Meeting to be held at the offices of Osborne Clarke LLP, One London Wall, London EC2Y 5EB at 10.00 a.m. on 26 October 2017 will be posted to Shareholders shortly.

Background to and reasons for the Disposal

The Company conducted a far-reaching, internal review following the disappointing financial performance of the Existing Group in the financial year ended 31 March 2017.

The headline conclusion of the review was that the Existing Group was operating as two distinct businesses: the Video Business and the Thruvision, people-screening business, details of which are set out below. Whilst they shared some geographical overlaps it was clear that, in practice, they shared very few end customers and have different business and financial characteristics.

The review confirmed that the unpredictable nature of the sales cycles the Existing Group faced was unlikely to change in the near to medium term, and, just as importantly, that larger sales would likely exacerbate the lumpy nature of the Existing Group's revenue streams. The Existing Group has class-leading technologies which are now being acquired by flagship customers around the world, but these procurements are often part of larger programmes with complex budgets and delivery schedules. The Company's conclusion was that to continue as it is would stretch the resources available to the Existing Group within its current structure and

that it would be doing so against this backdrop of forecast uncertainty and its consequent risk to period end reporting.

The review further concluded that the foregoing challenges were especially relevant to the Video Business but less relevant to the Thruvision Business. Although Thruvision is still modest in revenue terms, it benefits from protected technology that is unique in its field, and an emerging customer base that includes the US Transportation Security Administration. Since the Thruvision Business and the Video Business are different in nature, the Existing Group naturally divides into two business units with different operating models.

The Video Business, which is based around EdgeVis live video streaming technology, SmartVis video analytics and incorporates Brimtek in the US, has the following characteristics:

- **Operationally proven technology:** a proven set of product offerings, strong penetration into a number of regional markets (notably the US) and an exciting roadmap, including facial recognition and body-worn video technology;
- **Complex solutions:** solutions that generally form part of broader, more complex systems which has adverse consequences for the level of control the Existing Group can exert over procurements and sales cycle durations; and
- **Two distinct markets:** core revenues are generated from direct sales into high barrier-to-entry government agencies, with penetration into the more competitive network-video market through global technology partners.

This conclusion resulted in a Video Business sale process, managed by Investec, which involved approaching a range of potential trade and financial buyers. Following a multi-staged and competitive process, the Board has reached agreement with the Purchaser for the sale of the Video Business for a cash consideration of up to £27.5 million. Zak Doffman, the Company's Chief Executive Officer, and 127 other employees of the Video Business will leave the Existing Group and work with its new owners to develop and implement a new, standalone strategy for the Video Business.

Principal terms of the Disposal

Pursuant to the terms of the Share Purchase Agreement, the Company has conditionally agreed to sell the entire issued share capital of each of the Target Companies, which comprise the Video Business, to the Purchaser. Prior to the Disposal, the business, assets and liabilities of the Thruvision Business will be transferred from Digital Barriers Services Limited to a newly incorporated subsidiary, Thruvision Limited, owned by the Company, pursuant to the terms of the Asset Transfer Agreement. Thruvision Limited will remain within the Continuing Group.

The maximum consideration payable for Disposal is an aggregate of £27.5 million in cash of which £25.5 million is payable on Completion (on a cash free/debt free basis) and the remaining £2.0 million is payable subject to the Video Business securing a specific trading contract within 12 months following Completion.

Completion is conditional upon the approval of the Disposal by Shareholders.

The Company and the Purchaser have also agreed to provide each other with certain transitional and administration services following Completion pursuant to the terms of the Transitional Services Agreement.

Further details of the Transaction Documents will be set out in the Circular.

Financial effects of Disposal and use of proceeds

On 29 September 2017, the Company announced its audited financial results for the year ended 31 March 2017 (the "**Final Results**").

For the year ended 31 March 2017, the Video Business generated revenue of £24.5 million and an operating loss of £15.2 million. The operating loss included an impairment charge of £7.5 million and a re-allocation of certain costs which will either transfer to the Video Business on Completion or be retained by the Continuing Group.

At 31 March 2017, the Video Business had gross assets of £43.6 million and net assets of £36.0 million. These amounts include goodwill attributable to the Video Business of £17.1 million.

The value of the Video Business' unaudited net assets, including goodwill, at 31 July 2017, which is the date being used as the reference point to agree with the Purchaser the value of net assets that will be transferred on Completion, was £31.4 million.

The net proceeds of the Disposal, after payment of transaction costs and the repayment of approximately £6.2 million of existing indebtedness, will provide a robust balance sheet for the on-going Thruvision business. Subject to appropriate legal and regulatory authorisations, the Company also expects to return excess funds to Shareholders in due course.

Current trading and prospects of the Continuing Group

In the Final Results, the Company made the following statement on the Existing Group's current trading:

"Trading in the first half of the current financial year has been good with unaudited revenues to the end of August 13 per cent. ahead of the same period last year. Backlog has grown even more strongly with Brimtek performing particularly well in the first half although the lower margin nature of these sales will reduce the profit impact in H2. Asia, with sales at 50 per cent. ahead of last year, has also recovered well although EMEA is slightly behind its comparable sales on last year. Despite this healthy momentum, sales cycles remain unpredictable and some slippage of expected opportunities into H2 has occurred. The business has continued to incur losses albeit these are reduced from last year."

Thruvision is a proven, people-screening technology for "stand-off" detection of weapons, explosives and contraband under clothing. It is a specialist thermal camera, operating in the far infrared range of the electromagnetic spectrum, which sees concealed objects as relatively cold against warm bodies.

The Existing Group acquired Thruvision in 2012, and since then, significant effort has been invested in taking what was a very early stage, pioneering technology to the point where today it has the following characteristics:

- **Operationally proven technology:** a solution to current counter-terrorism challenges which has been successfully used operationally by both the Transportation Security Administration and G4S;
- **Limited competition and simplicity of deployment:** although there are many people-screening systems deployed globally, Thruvision has the great advantage of stand-off operation (i.e. with a detection range over 5 metres) and simple, standalone deployment, avoiding the need for complex integration into existing infrastructure; and
- **Multiple potential markets at an early stage of development:** Thruvision was originally developed for the counter-terrorism market but has now also demonstrated applicability in other markets, namely customs applications (cash and narcotics smuggling) and loss-prevention (theft from warehouses).

In summary, the Directors believe that a substantial new international market, measured in tens of thousands of units over the next five years, is becoming available and that, with the Thruvision Business's key differentiators now in place, there is an opportunity and focus to drive rapid, organic and profitable growth of Thruvision as a standalone business.

Proposed change of name and management changes

The Company proposes to change its name to "Thruvision Group plc" on Completion to reflect better the business of the Continuing Group. As a result of the change of name, with effect from Completion the Ordinary Shares will trade under the new TIDM "THRU".

As stated in the Final Results, following Completion, the following Board changes will become effective:

- Zak Doffman, the Company's Chief Executive Officer, will join the Video Business on Completion;
- Tom Black, Non-executive Chairman, will become Executive Chairman on Completion;
- Colin Evans, Chief Operating Officer, will become Managing Director on Completion; and
- Sharon Cooper, Chief Financial Officer, will leave the Company following a short transition period.

Bernie Waldron will also be stepping down from his position as a Non-executive Director with effect from the Company's forthcoming annual general meeting.

Commenting on the Disposal, Tom Black, Executive Chairman of Digital Barriers, said:

"We are pleased to have reached a conditional agreement to sell the Group's Video Business. I am confident that Volpi in partnership with Zak Doffman and his talented team will secure a strong future for the Video Business and I wish them well. The disposal will leave Thruvision on a stronger footing with a clear focus and a strong balance sheet. It is on that basis that my Board colleagues and I recommend that Shareholders vote in favour of the proposals to be put to them."

For further information please contact:

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About Digital Barriers:

Digital Barriers provides visually intelligent solutions to the global surveillance, security and safety markets. We deliver zero-latency streaming and analysis of secure video and related intelligence over wireless networks, including cellular, satellite, IP mesh and cloud, utilising significantly less bandwidth than standard technologies.

Our rapidly-installed fixed and mobile solutions for covert, remote and wide-area deployments, as well as vehicle and body-worn applications, have been sold into more than fifty countries, and have been proven in some of the world's most demanding operational environments. We also provide advanced video content analysis and body scanning to identify safety concerns and threats in real-time. www.digitalbarriers.com

ENDS

Appendix

Definitions

The following definitions apply throughout this announcement unless the context provides otherwise:

"AIM"	the AIM Market operated by the London Stock Exchange
"AIM Rules"	the AIM Rules for Companies published by the London Stock Exchange from time to time
"Asset Transfer Agreement"	the asset transfer agreement to be entered into between (1) Digital Barriers Services Limited (2) Thruvision Limited and (3) the Company in connection with the transfer of the Thruvision Business to Thruvision Limited
"Company" or "Digital Barriers"	Digital Barriers plc, a company incorporated and registered in England and Wales under the Act with registered number 07149547
"Completion"	completion of the sale and purchase of the whole of the issued share capital of each of the Target Companies in accordance with the Share Purchase Agreement
"Continuing Group"	the Company and its subsidiary undertakings following Completion and

	“Continuing Group Company” shall mean any one of them
“Directors” or “Board”	the directors of the Company or any duly authorised committee thereof
“Disposal”	the proposed disposal by the Company of the Video Business pursuant to the Share Purchase Agreement
“Existing Group”	the Company and its subsidiary undertakings as at the date of this announcement (including, without limitation, the Target Companies)
“General Meeting”	the General Meeting of the Company to be held at 10.00 a.m. on 26 October 2017, notice of which will be set out at the end of the Circular
“Independent Directors”	the Directors other than Zak Doffman
“Investec”	Investec Bank plc, the Company’s nominated adviser and broker
“London Stock Exchange”	London Stock Exchange plc
“Ordinary Shares”	ordinary shares of one penny each in the capital of the Company
“Purchaser” or “Volpi”	Project Gateway Bidco Limited, a subsidiary of Volpi Capital LLP
“Resolutions”	the resolutions to be set out in the notice of General Meeting
“Share Purchase Agreement”	the conditional share purchase agreement dated 7 October 2017 and made between the Company and the Purchaser
“Shareholders” and each a “Shareholder”	holders of Ordinary Shares
“Target Companies”	each of: <ul style="list-style-type: none"> (a) Digital Barriers Services Limited; (b) Digital Barriers ME FZ-LLC; (c) Digital Barriers PTE Ltd; (d) Digital Barriers SAS; (e) Digital Barriers Inc.; and (f) Digital Barriers SDN BHD
“Transaction Documents”	together, the Share Purchase Agreement, Transitional Services Agreement and the Asset Transfer Agreement
“Transitional Services Agreement”	the transitional services agreement to be entered into between the Purchaser and the Company in connection with the provision of certain services between the parties following Completion
“Thruvision Business” or “Thruvision”	all of the business carried on by the Existing Group in relation to the development, manufacture, supply and support of passive, TeraHertz people-screening technology and accessories for the global security technology market, comprising government and commercial customers, both directly and via selected commercial partners
“US” or “United States”	the United States of America, each State thereof, its territories and possessions (including the District of Columbia) and all other areas subject to its jurisdiction
“Video Business”	all of the business of the Existing Group other than the Thruvision Business