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BATM Advanced Communications Limited
(“BATM” or “the Group”)

BATM enters option agreement to sell NGSoft for c. \$33m

Disposal of legacy software services subsidiary to generate funds for acceleration of core activities

BATM (LSE: BVC; TASE: BVC), a leading provider of real-time technologies for networking solutions and medical laboratory systems, announces that it has entered into an option agreement (the “Option Agreement”) to sell NG Soft Ltd. (“NGSoft”), a subsidiary of the Group, for NIS 105.1m (approximately \$33m) in cash to Aztek Technologies (1984) Ltd., a provider of ICT cloud services in Israel and a portfolio company of SKY Fund (the “Buyer”).

Background to the transaction

BATM is focused on core areas of activity, underpinned by the Group’s portfolio of intellectual property, that it expects will offer transformational growth opportunities in both its Networking & Cyber and Bio-Medical divisions. In particular, in 2020, the Group achieved fundamental milestones in progressing the development of its network function virtualisation (“NFV”) activities, including a successful proof-of-concept of its NFVTime solution with Vodafone and securing its first tier 1 customer with a multi-year licensing agreement. In medical diagnostics, the Bio-Medical division rapidly produced multiple solutions in response to the COVID-19 outbreak that are experiencing substantial demand as the global pandemic continues.

As previously stated, BATM continuously seeks opportunities to unlock shareholder value from Group subsidiaries that are considered non-core to the future of the Group. NGSoft is a software and digital services company that provides creative digital and technology solutions. Its development activities do not include any of the Group’s NFV or cyber solutions. Accordingly, the Board believes that it would be in the best interests of BATM and of all shareholders to generate value from the sale of NGSoft and invest the proceeds to accelerate the Group’s core activities in accordance with its strategic plan.

Terms of the transaction

Under the terms of the Option Agreement, BATM has the option, but not obligation, to sell the entire issued share capital of NGSoft for a total cash consideration of NIS 105.1m (c. \$33m), of which the Group would receive a total of NIS 93.7m (c. \$29m). The Group’s consideration includes a NIS 15.5m loan repayment from NGSoft and a NIS 2.1m dividend payment, both to be received upon the exercise of the option. Certain employees of NGSoft would receive the balance of NIS 11.4m through cash out of their employee options and rights on completion.

In the event that the option is exercised by BATM, a share purchase agreement would be entered into – the final form of which has been agreed with the signatory pages being held in escrow by a trustee who would be required to release them upon being served with a notice of exercise of the option. The Buyer only has the right to terminate the agreement in the event of a material adverse change in the trading of NGSoft.

The Group’s option is exercisable up to and including 1 March 2021, which, in accordance with the terms of the Option Agreement, can be extended by the Group to 17 May 2021 under certain predefined circumstances. If the Group does not exercise its option, it will be required to pay the Buyer a consideration of up to NIS 7.9m in cash.

The Group will update the market in due course.

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