



22 December 2011

## **Scapa Group plc**

### **Acquisition of WEBTEC Converting assets (“the Acquisition”)**

Significantly expands and gives critical mass to medical business

Scapa Group plc (“Scapa”), the global supplier of bonding materials and solutions, is pleased to announce the acquisition of the business, assets and goodwill of WEBTEC Converting LLC (“WEBTEC”) based in Knoxville, Tennessee for an initial consideration of US\$30 million in cash. Further cash consideration will be payable depending on the results in 2012 and 2013 up to a maximum further payment of US\$15 million (see below).

WEBTEC is a leading contract manufacturer and full-service converter, printer and packager of adhesive-backed medical devices that are distributed worldwide. With a state-of-the-art manufacturing facility, WEBTEC manufactures for leading companies in a multitude of arenas including advanced woundcare, medical devices, diagnostics and electronics, converting a variety of materials such as medical grade silicone, foam, film, foil and hydrogel into its customers’ products.

#### **Background to the Acquisition**

As part of its growth strategy, Scapa is seeking to build a group that is comprised of three divisions, equal in scale: Medical, Electronics and Industrial. The Acquisition supports this growth and is an important step in enhancing Scapa’s technology and service offer to medical customers.

The addition of WEBTEC’s conversion and packaging capability to Scapa’s materials expertise and coating technologies adds significant value for customers and brings a major opportunity to build a turn-key full-service offering to customers using the latest silicone technology, a key element in the design of modern advanced wound dressings.

The Acquisition brings a well-invested business which will complement Scapa’s existing medical operations in California, Connecticut and the UK. WEBTEC’s business has grown substantially as a result of a contract for global supply of a product for an international pharmaceutical company. More recently it has won several new contracts including a contract for the manufacture of a silicone based dressing which will shortly commence and which the management of WEBTEC expects to be substantial.

WEBTEC’s management including Randy Holmes, the CEO and principal shareholder, will remain with the enlarged Group. WEBTEC’s highly experienced management team will augment Scapa’s medical management expertise and will facilitate Scapa’s growth in this sector.

#### **WEBTEC’s Financial Record**

WEBTEC’s unaudited revenue for the financial year ended 31 December 2010 was US\$27 million with an unaudited operating profit of US\$3.6 million. Revenue for the financial year ending 31 December 2011 is forecast by management to be approximately US\$29 million. The operating assets as at 31 December 2010 were US\$9.3 million.

## **Details of the Acquisition agreement**

Scapa is acquiring the business and certain assets and liabilities of WEBTEC on a cash free/debt free basis. The initial purchase price for the Acquisition is US\$30 million (subject to adjustment following production of a completion balance sheet to ensure normalised working capital). US\$2.5 million of the initial purchase price is being retained for a period of 24 months whilst the balance was paid on completion.

An additional two payments of US\$10 million and US\$5 million respectively (the "Further Consideration") will be payable depending upon the achievement of operating profit targets over the following two calendar years.

The Acquisition will be funded from existing cash reserves and bank borrowings which have been arranged specifically for this purpose. Scapa has arranged a £20 million unsecured multi-currency facility repayable in June 2015, which has been drawn down in US dollars on completion. The margin on this loan is based on a sliding scale depending on leverage, which is currently 1.75 per cent over dollar LIBOR. The future payments will be paid from existing resources. Scapa recently reported cash balances at 30 September 2011 of £20.8 million.

## **Benefits of the Acquisition**

The Directors believe that the Acquisition brings the following advantages to Scapa:

- Broadens the Group's medical technology portfolio and service offer;
- Brings scale to the Group's medical business;
- Gives access to a broader client base;
- Provides significant cross-selling opportunities and product development potential;
- Adds a well invested business with a strong record of high margins and good cash generation; and
- Will be earnings enhancing (Note 1).

Commenting on the Acquisition, Heejae Chae, Chief Executive of Scapa Group, said:

"Our growth strategy has been to seek acquisition opportunities which strengthen our capability and enhance our global business. The Acquisition significantly expands and gives critical mass to our medical business. Its blue chip customer base and strong management team are an excellent fit with our Group and will enable us to offer turn-key solutions in advanced wound care and consumer medical segments. I am confident that this acquisition will allow us to continue the strong progress we have made in the last 18 months."

Commenting on the Acquisition, Randy Holmes, Chief Executive of WEBTEC, said:

"WEBTEC has invested many years into its core management and production team, developing outstanding converting expertise and packaging capabilities and high quality systems. Integrated with Scapa's materials expertise and coating technologies, these create a market leader in contract manufacturing of adhesive-backed medical devices."

About Scapa Group plc:

Scapa is a worldwide leading manufacturer of bonding products and adhesive components for applications in the medical, electronics and industrial markets. Scapa works closely with leading global partners in its target markets, developing specialised adhesive bonding

solutions for OEM's, distributors and consumers. For more information, please visit <http://www.scapa.com>.

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Note 1: This statement should not be taken to mean that earnings per share in periods following the Acquisition will necessarily be greater than those for the relevant preceding financial period.