

Pinnacle Technology Group plc

(the "Group" or "Pinnacle")

Disposal of Pinnacle CDT

Pinnacle Technology Group plc, the AIM listed provider of converged technology solutions, is pleased to announce that it has agreed to sell the trade and assets of its subsidiary Pinnacle CDT Limited ("Pinnacle CDT") to Chess ICT Limited ("Chess") for a total cash consideration of £2.8 million (the "Disposal"). The Disposal represents a key step in repositioning the Group firmly as a provider of 'IT as a Service' targeting an increased level of recurring revenues and higher margin services.

Pinnacle CDT provides a full range of data, telecommunication and certain IT support services to a large customer base from offices in Glasgow and Stockton-on-Tees. The business provides services across its own core network, own help desk and own softswitch.

Following a Group re-organisation in March 2016, Pinnacle CDT comprises the business of the following subsidiary companies: Accent Telecom UK Limited (now renamed Pinnacle CDT Limited), Pinnacle Telecom plc and Pinnacle Cloud Solutions Limited. In the year to 30 September 2015, the business generated revenue of £6.7 million and a net loss before tax and head office costs of £0.2 million. As at 30 September 2015 the business had net liabilities of £2.3 million (including £2m owed to other Group companies). The business currently employs 27 people all of whom will transfer to Chess who are renowned for their focus on people and development.

Whilst the business has a significant base of approaching 1,000 customers and enjoys long term customer relationships, many of the current services provided are dependent upon access to Pinnacle CDT's own core network, its own proprietary softswitch or upon traditional fixed line telephony service and usage revenues – none of which are core to the Group's strategy moving forward. As previously announced, the future aim of the Group is to provide solutions that are deployed either on premise or in hosted and cloud environments without the need to own infrastructure. The Disposal will allow Pinnacle to concentrate on creating a value proposition focused on aggregated solutions with a single trusted partner managing the customer experience and support.

The consideration for the Disposal is £2.8 million, payable wholly in cash. The proceeds of the Disposal will be used to further Pinnacle's stated strategy of consolidating a highly fragmented market of smaller IT services companies to become a provider of 'IT as a service' to the SME market in the UK.

Following the recent disposals of RMS Managed Security and its shareholding in Stripe 21 Limited, the Group now consists of the businesses of Ancar-B Technologies Limited and Weston Communications Limited acquired in February this year. Both are trading profitably in line with management expectations and generating cash.

Gavin Lyons, Executive Chairman, commented:

"The Disposal represents a significant step forwards in achieving our strategy of creating a strong 'IT as a Service' business with recurring revenues and higher margin services. When I was appointed in December 15, it was apparent that there were many legacy and operational issues that needed to be addressed within the Group. Through the disposals of Pinnacle CDT, RMS Managed Security and Stripe 21 we now have a stable financial and operational platform to build on. The focus is now entirely on the integration of Ancar-B and Weston Communications whilst utilising our cash and management resources to consolidate a highly fragmented market through acquisition so we maximise earnings and value for shareholders. I am pleased with the progress being made on both fronts".

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