

3 February 2016

**Deltex Medical Group plc**  
("Deltex Medical" or "the Company")

**Placing to raise £1.115 million, Open Offer to raise up to £0.75 million and issue of new convertible loan notes to raise £1.125 million**

Deltex Medical Group plc (AIM: DEMG), the global leader in oesophageal Doppler monitoring ("**ODM**"), today announces the following:

- a subscription raising £1.125 million by way of new convertible loan notes due 2019 ("**Loan Notes**") with an interest rate of 8% and a conversion price of 6 pence;
- a placing of 27,875,000 new ordinary shares ("**Placing Shares**") with institutional and other shareholders, conditional upon admission, raising £1.115 million before expenses (the "**Placing**") at 4 pence per share (the "**Issue Price**");
- in addition, the Company will be making an open offer to qualifying shareholders with a view to raising up to £0.75 million on the basis of 1 new ordinary share for every 11.711 existing ordinary shares at 4p per new ordinary share (the "**Open Offer**");
- the Company will use £575,000 of the funds raised from the issue of the Loan Notes towards a partial repayment of the existing convertible loan note, due in February 2016, held by Amati AIM VCT plc ("**Amati**") (the "**Amati Loan Note**");
- to the extent that additional amounts are raised under the Open Offer and are therefore available for investing into working capital, the Company has agreed to use a portion of the sums raised through the Loan Notes subscription equal to the first £425,000 raised under the Open Offer to repay the balance of the Amati Loan Note;
- to the extent that additional amounts of up to £425,000 are not raised in the Open Offer, the outstanding amount of the Amati Loan Note will be converted into new ordinary shares at the Issue Price; and
- the net proceeds of the Placing and the Loan Note subscription (after the agreed repayment of £575,000 to Amati and expenses) are expected to be not less than £1.5 million.

**Details of the Placing and Open Offer**

The Company proposes to raise approximately £1.115 million (before expenses) by way of a placing of 27,875,000 Placing Shares at the Issue Price with institutional and other shareholders. In addition, up to a maximum of £0.75 million is proposed to be raised by an Open Offer to qualifying shareholders of up to 18,750,000 new ordinary shares on the basis of 1 new ordinary share for every 11.711 existing ordinary shares, at 4p per new ordinary share (together with the Placing the "**Placing and Open Offer**").

Further details of the Placing and Open Offer will be described in a circular which is intended to be posted, along with Application Form(s), to shareholders by not later than Monday, 8 February 2016 (the "**Circular**"). The proceeds of the Placing and Open Offer, before the agreed repayment of the Amati Loan Note and expenses, would be between £1.115 million and £1.865 million.

The Placing and Open Offer is subject to the approval of shareholders at a general meeting of the Company (the "**General Meeting**"). The General Meeting is intended to be convened for Thursday, 25 February 2016 at which a resolution to enable the Placing and Open Offer to proceed will be proposed.

Application will be made to the London Stock Exchange for the new ordinary shares subscribed for in the Placing and Open Offer to be admitted to trading on AIM ("**Admission**").

It is expected that Admission will become effective and that dealings in the new ordinary shares will commence at 8.00 a.m. on 26 February 2016.

### **Loan Notes**

The Company intends to raise £1.125 million by the issue of the Loan Notes. Of these, Imperialise Limited (a company associated with Nigel Keen, non-executive Chairman of the Company), has agreed to subscribe for £500,000 nominal amount of the Loan Notes.

The Loan Notes are unsecured and interest is payable at 8% per annum. The Loan Notes are repayable in full on the third anniversary of their date of issue although they may be prepaid in whole or in part at the Company's discretion at any time.

The Loan Notes are convertible at any time up until repayment into 18,750,000 ordinary shares at the effective price of 6p, being a premium of 30 per cent. over the share price at close of business on 2 February 2016 and a premium of 50 per cent. over the Issue Price. The Company can also enforce conversion if the ordinary share price is equal to or exceeds 18p for any period of 30 consecutive days. If the Company elects to prepay all or any of the Loan Notes, it will issue to the note holders warrants to subscribe for ordinary shares at 6 pence per share (at the rate of 5,000 warrants for every £300 nominal of Loan Notes repaid (and pro rata for any greater or lesser amount repaid)). Such warrants will be exercisable within the same period as corresponds to the conversion rights previously attaching to the Loan Notes prepaid.

The issue of the Loan Notes is conditional on the Placing becoming unconditional.

The Loan Notes will not be admitted to trading on AIM or any other exchange. Following the General Meeting, the Company will have adequate authority to issue the 18,750,000 new ordinary shares on conversion of the Loan Notes. Any new ordinary shares arising on conversion will rank pari passu with the ordinary shares in issue at that time and application for admission to trading on AIM will be made at the appropriate time.

### **Terms of the Open Offer**

Under the Open Offer, qualifying shareholders will be invited to apply for new ordinary shares pro rata to their existing shareholdings on the basis of 1 new ordinary share for every 11.711 existing ordinary shares held as at the record date, being 5 p.m. on 3 February 2016, at a price of 4 pence per new ordinary share, payable in full on application and free of all expenses.

Excess applications for new ordinary shares over and above the qualifying shareholders' pro-rata entitlements will be accepted from such holders to the extent that other shareholders do not take up their entitlements. If such excess applications, together with the applications under the Open Offer, exceed the number of new ordinary shares which are the subject of the Open Offer, then excess applications will be scaled back at the discretion of the Company.

The Open Offer will allow the Company's existing shareholders to participate in the fundraising on the same terms as the Placing. The Placing and Open Offer will be conditional, inter alia, upon approval by shareholders and the admission of the new ordinary shares to trading on AIM.

### **Amati Loan Note**

The Company announced on 27 January 2016 that it was planning to refinance the Amati Loan Note. To this end, £575,000 of the amount raised from the issue of the Loan Notes will be applied towards a partial repayment of the Amati Loan Note.

To the extent that additional amounts are raised under the Open Offer and are therefore available for investing into working capital, the Company has agreed to use a portion of the

sums raised through the Loan Notes' subscription equal to the first £425,000 raised under the Open Offer to repay the balance of the Amati Loan Note ("**Amati Tranche 2**").

Amati has agreed with the Company that to the extent less than £425,000 is raised in the Open Offer, repayment of the Amati Tranche 2 using proceeds of the Loan Notes will be reduced, and it will convert the resulting balance of the Amati Tranche 2 into new ordinary shares at the Issue Price.

The proposals in relation to the Amati Loan Note are conditional upon the Placing and the issue of the Loan Notes becoming unconditional. If the Placing and the issue of the Loan Notes become unconditional, the Company will no longer have any outstanding obligation or debt with Amati under the Amati Loan Note.

### **Use of Proceeds**

The Company will use the proceeds of the fundraising as follows:

- from the £1,125,000 raised from the subscription of the Loan Notes, £575,000 will be applied to part repay the Amati Loan Note;
- the £1,115,000 raised under the Placing and any amounts raised in the Open Offer will be available for US expansion and working capital (see below);
- to the extent that up to £750,000 is raised from the Open Offer, the Company has agreed to use a portion of the sums raised through the Loan Notes' subscription equal to the first £425,000 raised to repay Amati Tranche 2 with any balance being applied to fund working capital and to accelerate the US roll-out.

### **Working capital**

The Directors believe that following receipt of the proceeds of the subscription for the Loan Notes and the Placing, the Company will have sufficient working capital to finance its operations for the next 12 months. As the subscription for the Loan Notes and the Placing are conditional, inter alia, upon the passing by shareholders of the resolution at the General Meeting, shareholders should be aware that, if the resolution is not passed and Admission does not take place neither the net proceeds of the Loan Notes' subscriptions nor the Placing will be received by the Company. In addition, the Open Offer will not proceed. In such circumstances, the Company would need urgently to pursue additional or alternative funding sources, including by way of equity or debt, which are unlikely to be available before the redemption date of the Amati Loan Note or at all or, if they are available, may be expensive and/or onerous for the Company.

### **Current trading**

As announced on 27 January 2016, sales for the year ended 31 December 2015 at £6.4m are broadly similar to the previous year (2014: £6.5m). The strong growth experienced by the Company in the US and other export markets has been offset by a 21% fall in UK probe revenues and £0.3m fall in UK monitor revenues due to the well publicised and continuing NHS funding issues.

The US market is now the Company's main focus with US probes revenues increasing throughout 2015 by 31% to £1.3m and the addition of 12 new platform programme accounts to date since 1 January 2015. Six of the new platform programme accounts completed in Q4 2015, with minimal impact on full year numbers for 2015. The Directors expect these platform programme accounts to boost the growth trajectory for probe sales in 2016.

### **Strategy**

In accelerating the US roll-out, the Company will establish two additional US sales territories in the South-West and South-East. Doing this will give the Company a framework of national

sales representation across the USA focused on major population centres. The Company has started to develop a pipeline of potential platform programme accounts in the South-West from its existing resources and is planning to do the same in the South-East: the Company intends to hire sales and clinical support staff as soon as a sufficiently well qualified pipeline of accounts is established in each territory.

Over the last 18 months the Company has increased the number of its US platform programme accounts from 4 to 18. The Company remains on track to reach its target of 30 platform accounts by mid 2016 all of which the Directors anticipate should be actively implementing ODM during the third quarter of 2016 and that such a base of accounts actively implementing ODM at scale will give it the platform from which to start a broader roll-out of ODM in the USA. To date, all of the platform programme accounts, together with the vast majority of the Company's pipeline, are located in the Company's established territories: North-East, Mid-Atlantic, Great Lakes, Mid-West, North-West and West Coast. The Company's projections for these territories assume that each can, based on current assessments of US market growth, be expanded over time by layering in additional resources funded out of local cash flows to meet additional demand. Adding sales territories in the South-West and South-East will require additional investment in each territory for approximately 18 to 24 months from inception and allow the Company in due course to expand its US business across the whole country from established bases.

### **Future Prospects**

The Directors expect that the additional investment set out above under "Use of Proceeds" should help the Company to start to achieve higher revenue run-rates in the U.S. from the end of 2016 and into the first quarter of 2017. The anticipated positive impact of this will be reflected in 2017.

The Company has plans in place to take action in response to the disappointing performance in the UK market which is largely attributable to the continuing, well publicised, financial and management difficulties in the NHS. The Company plans to introduce a small number of additional third party products into the UK as well as a number of new and enhanced haemodynamic monitoring products first into the UK and then, over time, into export markets. With respect to ODM, the Company plans to emphasise the technology's unique properties as well as its consequent unique evidence base. The Company expects the results of at least two major trials to become public towards the middle of this year which will, reinforce the clinical value of ODM during surgery and highlight its superiority over other, less accurate, haemodynamic monitoring technologies.

Declines in UK revenues over 2014 and 2015 have delayed the Company passing operating cash break-even. The Directors expect to achieve this milestone over the course of 2016 through a combination of increasing returns from investments made in US expansion, product development and further operational improvements together with continuing growth in International sales, careful cost management and steps being taken to stabilise and increase cash generation from the UK market.

### **Related Party Transactions**

Nigel Keen, Non-executive Chairman of the Company, intends to subscribe for a total of £500,000 in the Placing, representing 12,500,000 Placing Shares. In addition, Imperialise Limited, a company associated with Nigel Keen, also intends to subscribe for £500,000 of Loan Notes.

Julian Cazalet, Non-executive Director, intends to subscribe for a total of £50,000 in the Placing, representing 1,250,000 Placing Shares.

Mark Wippell, Non-executive Director, intends to subscribe for a total of £25,000 in the Placing, representing 625,000 Placing Shares.

Christopher Jones, Non-executive Director, intends to subscribe for a total of £10,000 in the Placing, representing 250,000 Placing Shares.

Jonathan Shaw, Group Finance Director, intends to subscribe for a total of £5,000 in the Placing, representing 125,000 Placing Shares.

JO Hambro Capital Management Limited, intends to subscribe for a total of £200,000 in the Placing, representing 5,000,000 Placing Shares.

The participation by Nigel Keen, Non-executive Chairman of the Company, in the Placing and the subscription for Loan Notes by Imperialise Limited constitute related party transactions for the purposes of the AIM Rules. The independent directors, Ewan Phillips and Sir Duncan Nichol (the "**Independent Directors**"), having consulted with the Company's nominated adviser, Arden Partners, consider that the terms of each of these related party transactions are fair and reasonable insofar as shareholders are concerned.

The participation in the Placing by Julian Cazalet, Christopher Jones and Mark Wippell, Non-executive Directors of the Company, and Jonathan Shaw, Group Finance Director, each constitute a related party transaction for the purposes of the AIM Rules. The Independent Directors, having consulted with the Company's nominated adviser, Arden Partners, consider that the terms of each of these related party transactions are fair and reasonable insofar as shareholders are concerned.

The participation in the Placing by JO Hambro Capital Management Limited, which holds 25,389,696 existing ordinary shares (representing 11.6 per cent of the Company's existing ordinary shares) and is therefore a "substantial shareholder" under the AIM Rules, constitutes a related party transaction for the purposes of the AIM Rules. The Directors, having consulted with the Company's nominated adviser, Arden Partners, consider that the terms of this related party transaction are fair and reasonable insofar as shareholders are concerned.

Each of the Directors, who are shareholders, has confirmed their intention to vote in favour of the resolution being proposed at the General Meeting in respect of their holdings which in aggregate total 17,622,995 existing ordinary shares, representing 8.0 per cent. of the existing issued ordinary shares.

**Deltex Medical's chairman, Nigel Keen, commented:**

"The successful completion of the fund-raising would be a significant step in allowing the Company to continue with its strategy of achieving the national roll-out of ODM in the US. I am delighted to offer existing shareholders the opportunity to participate in the fund-raising through the Open Offer and giving them the opportunity to invest in the Company and its development on the same terms as the Placing. This additional funding will allow the Company to continue with the US roll-out and pursue a number of other operational improvements."

**For further information, please contact:-**

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### **Notes for Editors**

Deltex Medical manufactures and markets haemodynamic monitoring technologies. Deltex Medical's ODM is the only technology to measure blood flow in the central circulation in real time. Minimally invasive, easy to set up and quick to focus, the technology generates a low-frequency ultrasound signal, which is highly sensitive to changes in flow and measures them immediately. Deltex has been the only company in the enhanced haemodynamic space to build a robust and credible evidence base proving the clinical and economic benefits of its core technology, ODM. Randomised, controlled trials using Doppler have demonstrated that early fluid management intervention will reduce post-operative complications, reduce intensive care admissions, and reduce the length of hospital stay.

During 2013, the Company launched the CardioQ-ODM+ monitor that offers clinicians both of the two best-established technologies, Deltex Medical's ODM technology as well as Pulse Pressure Waveform Analysis ('PPWA') in one monitor. This allows clinicians to have unique real time insights into each of flow, pressure and resistance, the three pillars of haemodynamics.

### **Company goal**

ODM is increasingly recognised as a standard of care for patients undergoing major surgery and in critical care. The broader clinical area of haemodynamic management of which ODM is a core constituent is also now becoming widely accepted as an important major new medical modality. Consequently, the Company's focus is on maximising value from the opportunities presented as enhanced haemodynamic management is adopted into routine clinical practice around the world.

The Company is currently in the implementation phase of achieving this goal in a number of territories worldwide, operating directly in the UK, USA, Spain and Canada and through distribution arrangements in a further 30 countries.

There are over 3,200 monitors installed in hospitals around the world and over 600,000 patients have been treated to date using Deltex Medical's single patient disposable probes.