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This announcement contains inside information as stipulated under the Market Abuse Regulation (EU) no. 596/2014 ("MAR").

28 September 2018

SHEARWATER GROUP PLC

Update on Proposed Acquisition of Brookcourt for £30.3 million

Conditional placing and open offer to raise approximately £17.7 million

Restoration of trading on AIM and publication of admission document

Shearwater Group plc (AIM: SWG, "**Shearwater**", the "**Company**" or the "**Group**"), the digital resilience group, has conditionally raised up to £17.7 million by way of a Placing and Open Offer (as defined below) to finance the cash consideration to acquire Brookcourt Solutions Limited ("**Brookcourt**"), a leading independent UK-based cyber security solutions company, for total consideration of £30.3 million (the "**Proposed Acquisition**").

The Company's shares were suspended from trading on the AIM market of the London Stock Exchange plc ("**AIM**") on 17 August 2018, when Shearwater announced the Proposed Transaction. The Company's shares will now be restored to trading on AIM at 7.30 a.m. on 1 October 2018.

Highlights

- Proposed Acquisition represents a transformational deal for Shearwater:
 - substantially broadens the Group's cyber security solutions and services capability, facilitating access to a complementary, large enterprise client base
 - creates a strong platform to drive organic and acquisitions growth, within a fragmented cyber security services and solutions market
 - access to a highly experienced management team remaining with the Group to lead the expansion of Brookcourt, and support the further development of the business into cyber security and managed security service solutions
- Enlarged Group expected to be cashflow positive following acquisition
- Total consideration of £30.3 million, payable £15.15 million in cash and £15.15 million in issue of new Ordinary Shares (the "**Consideration Shares**")
- £16.7 million raised from the Placing and up to £1.0 million by way of an Open Offer to fund the Proposed Acquisition

David Williams, Chairman of Shearwater, said:

"As we stated when we announced this acquisition in August, it is transformational and provides us with a substantial platform from which we can grow organically and by further acquisitions.

"As well as being strategically and operationally a major development for us, this transaction will also bring a step change in our scale and breadth of offering, and notably it will make us cashflow positive following completion."

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On 17 August 2018, Shearwater announced (the "**Acquisition Announcement**") the conditional acquisition of Brookcourt, for a total consideration of £30.3 million on a cash free, debt free basis, to be satisfied through a combination of cash and the issue of new ordinary shares of one penny each in the capital of the Company ("**Ordinary Shares**").

As the Proposed Acquisition constitutes a reverse takeover under Rule 14 of the AIM Rules for Companies (the "**AIM Rules**") and will be conditional upon, *inter alia*, shareholder approval, trading in the Company's Ordinary Shares on AIM was suspended (the "**Suspension**") on 17 August 2018, pending publication of an admission document (the "**Admission Document**") in relation to the Proposed Acquisition and the enlarged Group (the "**Enlarged Group**").

The Placing and Open Offer

In order to finance the cash consideration payable pursuant to the Proposed Acquisition and to provide additional working capital to the Enlarged Group, the Company is today pleased to announce that it proposes to raise, subject to certain conditions: (i) £16.7 million by way of a placing of 463 million new Ordinary Shares (the "**Placing Shares**") at 3.6 pence per share (the "**Issue Price**") to certain institutional and other investors (the "**Placing**"); and (ii) up to £1.0 million by way of an open offer made to qualifying shareholders of up to 27,649,228 new Ordinary Shares (the "**Open Offer Shares**" and together with the Placing Shares, the "**New Ordinary Shares**") at the Issue Price (the "**Open Offer**"). Certain of the Directors are subscribing for, in aggregate, 9,722,222 Placing Shares.

The Issue Price represents a discount of 18.2 per cent. to the closing middle market price of 4.4 pence per Ordinary Share on 16 August 2018 (being the last business day before the Suspension).

After expenses, the Company is expected to receive net proceeds of approximately £15.4 million from the Placing and Open Offer (assuming that the Open Offer is fully subscribed).

Cenkos Securities plc ("**Cenkos**") is acting as sole bookrunner to the Company in connection with the Placing.

Amendment of Proposed Acquisition terms

The Company has entered into an amendment agreement with the Brookcourt vendors whereby total consideration for the Proposed Acquisition of £30.3 million will now be satisfied by cash consideration of £15.15 million and the balance of £15.15 million will be satisfied by the issue of the Consideration Shares. This is in contrast to the position previously stated in the Acquisition Announcement, whereby the total consideration of £30.3 million would have been satisfied by cash consideration of £22.95 million with the balance of £7.35 million to be satisfied by the issue of new Ordinary Shares.

Notice of General Meeting and publication of Admission Document

The Proposed Acquisition, the Placing and the Open Offer are conditional, *inter alia*, upon the passing of the resolutions to be proposed at a general meeting of the Company (the "**General Meeting**") to be held at 11.00 a.m. on 16 October 2018 at the offices of Mayer Brown International LLP, 201 Bishopsgate, London EC2M 3AF.

The Admission Document, which has been published today, includes the notice of the General Meeting and sets out further detail of the background to and reasons for the Proposed Acquisition, the Placing and the Open Offer. The Admission Document and Notice of Meeting will be available on the Company's website: www.theshearwatergroup.co.uk.

Proposed restoration of trading on AIM and Admission

Following the Suspension, it is expected that trading in the existing Ordinary Shares on AIM will be restored at 7.30 a.m. on 1 October 2018.

Application will be made to the London Stock Exchange for the New Ordinary Shares and the Consideration Shares to be admitted to trading on AIM. It is expected that Admission will become effective at 8.00 a.m. on 17 October 2018.

The person responsible for arranging the release of this announcement on behalf of the Company is David Williams, Chairman of the Company.

Important notice

*This announcement is for information purposes only and is not intended to and does not constitute, or form part of, any offer or invitation to purchase, subscribe for or otherwise acquire or dispose of, or any solicitation to purchase or subscribe for or otherwise acquire or dispose of, any securities in the United States, Republic of South Africa, Australia, Canada or Japan or any other jurisdiction in which such an offer or solicitation may lead to a breach of any applicable legal or regulatory requirements (each a "**Restricted Jurisdiction**"). Persons needing advice should consult with an independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended ("**FSMA**"), who specialises in advising on the acquisition of shares and other securities, if that person is in the United Kingdom, or any appropriately authorised person under applicable laws, if that person is located in any other jurisdiction. The information contained in this announcement is not for release, publication or distribution to persons in any jurisdiction where to do so might constitute a violation of local securities laws or regulations.*

The distribution of this announcement, the Circular and any other documentation associated with the Placing and the Open Offer into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws or regulations of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted, directly or indirectly, in whole or in part, in, into or from a Restricted Jurisdiction.

*The New Ordinary Shares have not been and will not be registered under the US Securities Act 1933 (as amended) (the "**US Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States except in reliance on an exemption from the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.*

There will be no public offer of the New Ordinary Shares in the United States. The New Ordinary Shares are being offered and sold outside the United States in reliance on Regulation S under the US Securities Act. The New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the US or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this announcement. Any representation to the contrary is a criminal offence in the United States.

The New Ordinary Shares have not been and will not be registered under the relevant laws of any state, province or territory of any Restricted Jurisdiction and may not be offered, sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, within any Restricted Jurisdiction except pursuant to an applicable exemption from registration requirements. There will be no public offer of New Ordinary Shares in Australia, Canada, Japan, or the Republic of South Africa.

This announcement has been issued by and is the sole responsibility of the Company. The information contained in this announcement is for background purposes only and does not purport to be full or complete. The information in this announcement is subject to change without notice.

This announcement may contain and the Company may make verbal statements containing "forward-looking statements" with respect to certain of the Company's plans and its current goals and expectations relating to its future financial condition, performance, strategic initiatives, objectives and results. Forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "seek", "may", "could", "outlook" or other words of similar meaning. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the control of the Company, including amongst other things, United Kingdom domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of governmental and regulatory authorities, the effect of competition, inflation, deflation, the timing effect and other uncertainties of future acquisitions or combinations within relevant industries, the effect of tax and other legislation and other regulations in the jurisdictions in which the Company and its affiliates operate, the effect of volatility in the equity, capital and credit markets on the Company's profitability and ability to access capital and credit, a decline in the Company's credit ratings; the effect of operational risks; and the loss of key personnel. As a result, the actual future financial condition, performance and results of the Company may differ materially from the plans, goals and expectations set forth in any forward-looking statements. Any forward-looking statements made in this Announcement by or on behalf of the Company speak only as of the date they are made. Except as required by applicable law or regulation, the Company expressly disclaims any obligation or undertaking to publish any updates or revisions to any forward-looking statements contained in this Announcement to reflect any changes in the Company's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

Cenkos, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority is acting as nominated adviser and broker to Shearwater in connection with the Proposed Acquisition and the Proposed Placing. Cenkos is acting exclusively for Shearwater and no one else in connection with the Proposed Acquisition and the Proposed Placing and will not be responsible to anyone other than Shearwater for providing the protections afforded to clients of Cenkos or for providing advice in relation to the Proposed Acquisition and the Proposed Placing or the contents of this announcement or any transaction, arrangement or matter referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed on Cenkos by the FSMA or the regulatory regime established thereunder, Cenkos does not accept any responsibility whatsoever for the contents of this announcement, and makes no representation or warranty, express or implied, for the contents of this announcement, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the New Ordinary Shares, the Placing or the Open Offer, and nothing in this announcement is or shall be relied upon as, a promise or representation in this respect whether as to the past or future. Cenkos accordingly disclaims to the fullest extent permitted by law all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this announcement or any such statement.

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("MiFID II"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "MiFID II Product Governance Requirements"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the Product Governance Requirements) may otherwise have with respect thereto, the New Ordinary Shares have been subject to a product approval process, which has determined that the New Ordinary Shares are: (i) compatible with an end target market of (a) retail investors, (b) investors who meet the criteria of professional clients and (c) eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "Target Market Assessment"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the New Ordinary Shares may decline and investors could lose all or part of their investment; the New Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the New Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Cenkos will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the New Ordinary Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the New Ordinary Shares and determining appropriate distribution channels.

Neither the content of the Company's website nor any website accessible by hyperlinks to the Company's website is incorporated in, or forms part of, this announcement.