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Earnz PLC
14 October 2024

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EARNZ plc

("**EARNZ**"or the "**Company**")

Posting of circular

and

Notice of General Meeting

to seek increased share authorities in connection with a proposed acquisition and associated placing

EARNZ plc (AIM: EARN), an energy services company whose objective is to capitalise on the drive for global decarbonisation, announces that it has posted a circular to its shareholders (the "**Shareholder Circular**") convening a general meeting which is to be held on 29 October 2024 (the "**General Meeting**") at which the Board is seeking to increase share authorities in connection with a proposed acquisition and associated share placing.

The following has been extracted from the Shareholder Circular, which is available on the Company's website www.earnzplc.com.

As Shareholders will be aware, on 29 August 2024, the Company completed the acquisitions of Cosgrove & Drew Ltd and South West Heating Services Ltd (together, the "**Acquisitions**") for a total maximum consideration of £3.1 million and the Enlarged Group's share capital was re-admitted to trading on AIM.

In the meantime, the Company has signed non-binding heads of terms ("**HoTs**"), and entered into a period of exclusivity, with the vendors (the "**Vendors**") of a family company based in the South of England (the "**Target Company**") which operates across the country using a network of longstanding contractors delivering whole building solutions for the decarbonisation agenda, including external wall insulation, cavity wall insulation, air source heat pumps and solar panels. The Target Company's focus is not only on refurbishment of older properties, but also on new builds and it supports customers with access to government funding under various schemes.

In the year ended 31 March 2024, the Target Company reported unaudited revenue of approximately £4.5 million (2023: £3.2 million) and profit before tax of approximately £0.76 million (2023: £0.6 million), to be confirmed through due diligence.

In the HoTs, which are, among other things, subject to the completion by the Company of satisfactory due diligence on the Target Company, the Company has agreed subject to contract to pay a maximum consideration of £7.5 million for the whole of the issued share capital of the Target Company which comprises: -

- initial consideration of £6.0 million to be satisfied as to £5.0 million payable in cash[1] and £1.0 million payable in new Ordinary Shares[2]; and
- deferred consideration of up to £1.5 million which is payable subject to achieving certain performance targets to be satisfied by the issue of new Ordinary Shares or in cash at the Vendors' discretion.

While, as is customary, the Company received Shareholder approval at its general meeting held on 27 August 2024 for authority to allot certain further new Ordinary Shares and for the dis-application of pre-emption rights in connection with such allotment, the authorities obtained at that general meeting are insufficient to satisfy the number of new Ordinary Shares expected to be issued in connection with the acquisition of the Target Company.

As was the case with the Acquisitions, the Company would normally only seek shareholder approval for the issue of further new shares to satisfy the consideration payable for the Target Company following (i) completion of satisfactory due diligence on the Target Company; (ii) the requisite funds having been raised in the Placing from investors to satisfy the cash element of the consideration payable; and (iii) the sale and purchase agreement having been signed with the Vendors. However, due to the forthcoming Budget on 30 October 2024 and the uncertainty regarding what changes might be made therein specifically to the capital gains tax regime and its potential impact on the Vendors, the Company has been advised that it should convene the General Meeting to obtain the requisite share authorities in advance of completion of the points set out in (i) to (iii) above.
The Company's intention is to raise sufficient funds in the Placing from investors to: -

- satisfy the £6.5 million maximum cash consideration payable for the Target Company plus costs;
- provide the wherewithal to make two further possible minor acquisitions which the Directors estimate could be acquired for total consideration of a further £1.0 million in cash; and
- provide working capital for the enlarged Group,

therefore, the authorities to be sought at the General Meeting will be to authorise the Directors to allot equity securities up to an aggregate nominal value of £4,400,000 (including the Consideration Shares) and to allot these equity securities as if s.561(1) of the Act did not apply to any such allotment (£4,000,000 in connection with the proposed acquisition of the Target Company and the balance for working capital purposes).

[1]as at 10 October 2024 (the business day preceding the date of this announcement), the Company had cash of approximately £2.9 million (of which £1.5 million has been ringfenced for "qualifying" purposes), therefore the Company will need to issue new Ordinary Shares by way of a proposed placing for cash (the "**Placing**") to satisfy the cash element of the consideration payable for the Target Company (the "**Placing Shares**").

[2]the price payable per new Ordinary Share will be the same as the price per new Ordinary Share to be issued by way of the Placing.

The notice convening the General Meeting, to be held at the offices of Shore Capital, Cassini House, 57 St James's Street, London SW1A 1LD at 10.00 a.m. on 29 October 2024 to consider the Resolutions, is set out at the end of the Shareholder Circular. A summary of the Resolutions is set out below:

- Resolution 1, which will be proposed as an ordinary resolution, seeks to authorise the Directors to allot equity securities up to an aggregate nominal amount of £4,400,000, being approximately the aggregate nominal value of the Consideration Shares and the Placing Shares; and
- Resolution 2, which will be proposed as a special resolution, seeks to authorise the Directors to allot these equity securities otherwise than on a *pro rata* basis to existing Shareholders (of which £4,000,000 (nominal value) is to be used in connection with the proposed acquisition of the Target Company and the balance for working capital purposes).

To be valid, the Form of Proxy accompanying the Shareholder Circular for use in connection with the General Meeting should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, B62 8HD by no later than 10.00 a.m. on 25 October 2024 (or, if the General Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time fixed for the adjourned meeting). Completion and return of Forms of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.
Shareholders who hold their Existing Shares in uncertificated form in CREST may alternatively use the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual as explained in the notes accompanying the Notice of General Meeting at the end of this document. Proxies submitted via CREST must be received by Neville Registrars Limited (ID 7RA11) by no later than 10.00 a.m. on 25 October 2024 (or, if the General Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time fixed for the

adjourned meeting). The appointment of a proxy using the CREST Proxy Voting Service will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish.

The Directors consider the Resolutions to be in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of the Resolutions, as the Directors intend to do in respect of their beneficial holdings, which represent, in aggregate, approximately 13.09 per cent. of the Company's issued share capital.

All defined terms in this announcement are as set out in the Shareholder Circular, unless the context requires otherwise.

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