



6 February 2017

BATM Advanced Communications Limited
(“BATM” or “the Group”)

BATM Acquires Zer Laboratories Ltd

BATM Advanced Communications Limited (LSE: BVC), a leading provider of real-time technologies for networking solutions and medical laboratory systems, is pleased to announce that it has entered into an agreement (the “Agreement”) to purchase the entire issued share capital of Zer Laboratories Ltd. (“Zer Laboratories”) for a consideration of NIS 2.75 million (approx. £580,000) payable in cash (the “Acquisition”).

Overview of Zer Laboratories

Zer Laboratories, headquartered in Tel Aviv, Israel and established in 1976, is the largest private diagnostic laboratory in Israel for clinical tests, mainly providing prenatal screening tests for Down’s Syndrome, genetic tests and additional tests performed during IVF and fertility treatments.

Zer Laboratories unaudited revenues for full year 2015 amounted to \$2.4 million and profit before tax was \$27,000. The Acquisition is expected to be earnings accretive in the financial year ending 31 December 2017.

Rationale for the Acquisition

The Acquisition is in line with the Group’s stated strategy of becoming a prominent participant in the diagnostics markets in which it operates. The primary reasons for the Acquisition are:

- Synergies with BATM’s existing offering of non-invasive prenatal tests (NIPT) using Panorama, the NIPT of Natera, which determines the chance that a pregnancy has certain chromosomal abnormalities; Natera is a NASDAQ-listed company offering proprietary bioinformatic solutions that enable laboratories worldwide to expand their test offerings; Natera granted distribution rights to BATM in Israel and Romania.
- Capture the growth market in NIPT in Israel and markets in Europe where BATM has a significant presence;
- BATM’s genetic laboratory, including sequencing machine that conducts genetic tests, is currently going through a certification process to carry out Panorama in Romania, which management expects to expand to Israel and offer this test through Zer Laboratories;
- BATM intends to use Zer Laboratories for launching new, advanced diagnostic DNA-based tests in Israel; and
- BATM intends to use Zer Laboratories as a local reference lab, together with several reputable European- and US-based labs, for new molecular biology solutions from Adaltis.

Terms of the Acquisition

Under the terms of the Agreement, the Group will pay the shareholders of Zer Laboratories an amount of NIS 2.75 million (approx. £580,000), upon completion, for the entire issued share capital of Zer Laboratories as follows:

- Amount of NIS 1,560,000 (approx. £329,000) for the entire issued share capital to Avraham Zer (Holdings) Ltd (“Avraham”);
- Payment to Dr. Yigal Shaham an amount of NIS 550,000 (approx. £116,000) for the rights of Dr. Yigal Shaham in Zer Laboratories and for his Non-Competition Undertaking;
- Payment to Tami Zer an amount of NIS 320,000 (approx. £67,500) for her Non-Competition Undertaking for a period of four years; and

- Payment to Avi Zer an amount of NIS 320,000 for his Non-Competition Undertaking for a period of four years.

In addition to the above, for calendar years 2017, 2018, 2019 and 2020, BATM will pay Avraham 20% of any increase in sales by Zer Laboratories compared with the sales generated in 2016 (in which the revenues shall be recorded on an accumulative basis), provided that the amount is not in excess of 40% of the net profit of Zer Laboratories in each such calendar year (subject to a monetary cap).

Dr. Zvi Marom, Chief Executive Officer of BATM, said: “We are pleased to have acquired Zer Laboratories and welcome them to the Group. They enjoy an excellent reputation in Israel and provide much-needed tests and services to pregnant women. We look forward to building on the success and established footprint of Zer Laboratories, on the synergies with our operations in Romania, on our investment in Toldot, our genetics subsidiary, and on new developments from Adaltis, to widen the number of DNA-based tests that we can offer for the benefit of more women in our current geographies and beyond and deepen our involvement in molecular-biology-based testing.”

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