

Imaginatik plc

("Imaginatik" or "the Company")

Proposed Placing and Open Offer to raise up to £2.1m

Following the Company's announcement on 17 May 2016, the Company is pleased to confirm that it proposes to raise up to approximately £2.1 million by way of a Placing and Open Offer (the "Fundraising"). The Open Offer of up to £0.53 million will allow the Company's existing Shareholders the opportunity to participate in the Fundraising.

Highlights

- Proposed Fundraising of up to c. £2.1 million by the issue of New Ordinary Shares at 2.5 pence per Ordinary Share
- Fundraising to be by way of a Placing of 63,263,520 New Ordinary Shares (c. £1.6 million) and an Open Offer of up to 21,277,896 New Ordinary Shares (c. £0.53 million)
- Open Offer on basis of 1 Open Offer Share for every 4 Existing Ordinary Shares held
- Proceeds of the Fundraising to be used to strengthen the Company's balance sheet and fund business development investment costs and sales and consulting capacity as the Company continues to drive revenue growth

Matt Cooper, Non-Executive Chairman of Imaginatik, commented:

"We have been delighted by the support shown by new and existing investors. These funds will enable Imaginatik to capitalise on the growth achieved in the last financial year and the underlying progress within the business. We have built a strong offering and are now recognised as leaders in the growing international innovation industry. We have outstanding reference customers spanning two major markets: the US and Europe, and believe Imaginatik now has the platform for success."

The Placing is subject to the Placing Agreement becoming unconditional in all respects. The Placing Agreement is conditional on the passing of, *inter alia*, Resolutions at a General Meeting of the Company to be held on 13 June 2016 and the Admission to trading on AIM of all the New Ordinary Shares to be issued in connection with the Placing.

A circular (the "Circular") setting out details of the proposed Fundraising and giving notice of an General Meeting to approve these proposals will be sent to Shareholders tomorrow and will be available on the Company's website <http://imaginatik.com/company/investor-center>

Capitalised terms shall have the same meaning as in the Circular unless the context requires otherwise.

For further information please contact:

Imaginatik plc

Tel: 01329 243 243

Matt Cooper, Non-Executive Chairman

Ralph Welborn, CEO

Shawn Taylor, CFO

finnCap Ltd

Tel: 020 7220 0500

Jonny Franklin-Adams, corporate finance

Camille Gochez, corporate broking

Alma PR

Tel: 020 8004 4218

Hilary Buchanan

Caroline Forde

About Imaginatik

Imaginatik provides a range of innovation solutions comprised of consultancy, enterprise software and program management to deliver innovation results to companies such as The World Bank, The Chubb Group of Insurance Companies, Exxon Mobil, Altria, Shell, Mayo Clinic, Goodyear, the Yorkshire Building Society, Caterpillar and Cargill. Few companies possess the internal capability to consistently generate fresh ideas, identify those worth pursuing and reliably transform them into real, value-enhancing assets. Imaginatik's mission is to help these companies build sustainable innovation competencies.

Imaginatik is a public company whose shares are traded on the AIM market of the London Stock Exchange (LSE: IMTK.L) with offices in Boston, MA, and Fareham, UK.

For more information visit www.imaginatik.com.

The Company proposes to raise up to £1.6 million (before expenses) by way of a Placing and up to £531,947 by way of an Open Offer, thus allowing the Company's existing Shareholders the opportunity to participate in the fundraising.

The terms of the Placing and Open Offer are described below and in the Circular. The aggregate gross proceeds of the Placing and Open Offer are expected to be approximately £2.11 million (assuming maximum take up under the Open Offer) and, as explained below, the Directors believe the proceeds will be sufficient to take the Company to the stage where it is generating net positive cashflow from its innovation consultancy and software licensing business. The Placing and Open Offer are conditional, inter alia, upon the Placing Admission and Offer Admission respectively and approval of the Resolutions by Shareholders at the General Meeting.

DETAILS OF THE OPEN OFFER AND PLACING

Qualifying Shareholders are invited to apply for Offer Shares under the Open Offer at a price of 2.5 pence per Offer Share, payable in full on application and free of all expenses, pro rata to their existing shareholdings on the basis of:

1 Offer Share for every 4 Existing Ordinary Shares

held at the Record Date and so on in proportion for any other number of Existing Ordinary Shares then held. Open Offer Entitlements will be rounded down to the nearest even whole number of Offer Shares. Fractional entitlements which would have otherwise arisen will not be issued.

The Open Offer is subject to the satisfaction, amongst other matters, of the following conditions on or before 8.00 a.m. on 27 June 2016, or such later date (being not later than 8.00 a.m. on 30 June 2016), as the Company and finnCap may decide:

- (i) the Placing Agreement being entered into and becoming unconditional in all respects and not having been terminated in accordance with its terms; and
- (ii) Offer Admission becoming effective.

The Open Offer has been structured so as to allow Qualifying Shareholders to subscribe for Offer Shares at the Offer Price pro rata to their holdings of Existing Ordinary Shares. To the extent that Offer Shares are not subscribed by Qualifying Shareholders, Open Offer Entitlements will lapse. Further details of the Open Offer and the procedure for application are given in the Circular.

finnCap has, pursuant to the Placing Agreement, undertaken to use its reasonable endeavours to place the Broker Placing Shares with certain other investors, conditional upon the passing of the Resolutions and on Placing Admission. In addition, seven investors have conditionally agreed directly with the Company to subscribe for 21,591,520 Company Placing Shares.

I have given a commitment to subscribe in person or by a nominee, for 20,000,000 Company Placing Shares, representing 31.6 per cent. of the Placing Shares.

Shawn Taylor has given a commitment to subscribe in person or by a nominee, for 200,000 Company Placing Shares, representing 0.32 per cent. of the Placing Shares.

Simon Charles has given a commitment to subscribe in person or by a nominee, for 200,000 Broker Placing Shares, representing 0.32 per cent. of the Placing Shares.

Ralph Welborn has given a commitment to subscribe in person or by a nominee, for 340,000 Company Placing Shares, representing 0.54 per cent. of the Placing Shares.

The subscription by Matt Cooper constitutes a related party transaction for the purposes of the AIM Rules. The Directors (other than Matt Cooper) consider, having consulted with finnCap as the Company's nominated adviser, that the terms of Matt Cooper's participation in the Placing is fair and reasonable insofar as Shareholders are concerned.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of Admission.

Settlement and dealings

Separate application will be made to the London Stock Exchange for the Placing and Accepted Offer Shares to be admitted to trading on AIM. It is expected that Placing Admission will become effective and that dealings will commence on 14 June 2016 and Offer Admission will become effective and that dealings will commence on 27 June 2016. Further information in respect of settlement and dealings in the New Ordinary Shares is set out in paragraph 7 of Part II of the Circular

Overseas Shareholders

It is the responsibility of any person receiving a copy of the Circular and/or the Application Form outside the United Kingdom to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities required to be observed in such territory and paying any other issue, transfer or other taxes due in such other territory. If in doubt, such persons should consult their professional advisers. Persons (including, without limitation, nominees and trustees) receiving the Circular and/or the Application Form should not, in connection with the Proposals, distribute or send it into any jurisdiction when to do so would, or might contravene local securities laws or regulations. Any person who does forward the Circular into any such jurisdictions should draw the recipient's attention to the contents of paragraph 6 of Part II of the Circular regarding Overseas Shareholders. **If you are an Overseas Shareholder, it is important that you read that part of the announcement.**

USE OF PROCEEDS

The aggregated gross proceeds of the Issue are expected to be approximately £2.11 million (assuming maximum take up under the Open Offer). The proceeds will be used to allow the Company to seek to add additional sales and consulting capabilities to capture increased volume of opportunities and intends to increase the marketing spend to build the Company's brand in the marketplace. The Company intends to build new technology capabilities to capture growing market demand, and hire a full-time CTO and add additional developer capacity. An increase in working capital will allow the Company to smooth out the seasonality in the sales pipeline.

The Company also intends to use the proceeds to repay a loan taken out with Matt Cooper, Non-Executive Chairman, in January 2015 amounting to \$250,000 for use in connection with the Company's short term working capital requirements following the delay of certain contracts. The loan will be repaid in full, including interest accrued at a rate of 10 per cent. per annum.

The Board believes that the expected net proceeds of the Issue will allow the Company to generate net positive cash flow from its operations. The Directors believe that the Issue is the most equitable and efficient method to allow as many Shareholders to participate in the Company's future as possible.

CURRENT TRADING AND FUTURE PROSPECTS

Current Status

The Company is currently completing a multi-year turnaround; with significant revenue growth in the last financial year the Directors believe the Company is now approaching the point of breakeven. The Company has a comprehensive suite of offerings that combines innovation consulting services and technology products.

The Company's recently published *State of Global Innovation: New Industry Report 2015* was the result of a survey of 200 business leaders at companies with 200 or more employees. This study highlights a number of statistics demonstrating that innovation matters to today's companies. Firstly 95% of those companies surveyed include innovation on the management agenda. Secondly, 59% of those companies surveyed now have a formal innovation program in place. Finally 40% of those companies surveyed now employ a Chief Innovation Officer (or have a person in a similar role). This maturing of the market place is further reflected in the fact that innovation expenditure continues to grow. Between 2005 and 2014 the Bloomberg *Global Innovation 1000 Study* shows that innovation R&D investment has increased from US\$400billion to US\$650billion, which increased every year other than 2009-2010. Furthermore external innovation investments (CVC) increased between 2012 and 2014 from US\$2.089billion in Q1 2012 to US\$4.019billion in Q2 2014.

The Company has seen a strategic shift over the past few years. Prior to 2012 the Company was operating in what was an immature innovation market, selling mostly a narrow technology offering to ostensibly mid-level technology buyers with a limited consulting offering. This period saw the Company experience a high level of churn within its client base and with little or no revenue growth resulting in operating losses.

From 2013 to 2015 the Company embarked on a new strategy. This entailed building out a consulting team, broadening the technology offering with new products and recruiting new employees. This change of focus helped the Company to secure new clients and reduced the client churn rate down to less than 10% per year by value.

The Company now believes that it has a strategy constructed around the full-service offering. The Company is a recognised market leader as defined by an independent third party report published in April 2016. The Company recently appointed a new CEO with innovation advisory and consulting expertise. The consulting team has an average of 15+ years' experience in corporate innovation management and have between them dealt with clients such as IBM, Pfizer and Cargill. In today's maturing innovation marketplace the Directors believe that the Company is now poised for growth.

The Company has three main client offerings:

1) Innovation Advisory Consulting

This involves advisory consulting helping senior executives to build their corporate innovation programs. Projects are typically one to three months in duration.

2) Innovation Capability Building

The Company provides workshops, training, facilitation, and program management services to help build innovation processes. These offerings can be project based with delivery over a few months, but are also often sold as part of annual license agreements.

3) Innovation Software Platform

The Company provides an innovation software platform that is capable of enterprise deployments in large organisations, allowing them to scale consistent innovation practices across the enterprise. These will typically be annual or multi-year Software as a Service (“SaaS”) contracts.

The Company offers a complete innovation package, and was described in a report published in April 2016 by an independent technology and market research company as the “most comprehensive innovation management solution”. The same report ranked the Company above all competitors in terms of both its current offering and its strategy.

Client Base

Examples of clients currently under contract with the Company include in the US several American insurance companies, an American multi-national oil and gas company, a multi-national manufacturer of construction and mining equipment, engines and turbines, and a fortune 150 energy company. In Europe the Company’s client base includes a multi-national oil and gas exploration, production and oil products business, a multi-national tyre manufacturer, a European based airline and a multi-national food services and facilities management business.

Financial Review

The following is based on the unaudited accounts of the Company for the year ended 31 March 2016.

Total bookings for the year to 31 March 2016 amounted to £4.0m (FY2015: £3.37m) with a significant contribution in the year arising from contract renewals, with a large number of multi-year contracts being available for renewal in the period. During the year, 31% of bookings were generated from up-selling our software and consulting services into existing customers, 22% from selling into new clients, and 47% from renewals business (FY2015: 39:42:19%). We added 9 new customers during the year (FY2015: 21).

Total recognised revenue for the year ended 31 March 2016 is expected to increase by approximately 17% to £3.9 million (FY2015: £3.34 million). Recognised revenue has improved over each of the last three years. Key to this has been an increase in the amount derived from the consulting services that the Company offers, growth which is largely a function of the innovation advisory work contracted. Consulting revenue has increased approximately 154% from £0.44m in FY2014 to approximately £1.0m in FY2016. This is often the first point of contact for new clients as we seek longer term relationships.

The US continues to be our core sales market and the percentage of recognised revenues from the region grew in the period to 31 March 2016 to 77% (FY2015: 71%) with the remaining 23% made up from the rest of the world (FY2015: 29%).

Losses on ordinary activities after tax are expected to be approximately £0.95m in the year ended 31 March 2016 (FY 2015: £1.46 million), a reduction of 35%. This improved position on the prior year is driven by the higher revenues achieved with only a small increase in the total cost base.

We have continued to invest in our technology platform in the year, upgrading and adding new functionality to improve our competitiveness. In the year we capitalised £0.27m of costs (FY2015: £0.2m).

Customer churn, as measured by value, has reduced over the last three years and is now at 10% or less. We attribute these low churn rates to the role that our consulting services play in ensuring that our clients secure ongoing material benefits from the use of the technology and services. However, this is down from 33% in 2013. Most customers utilise some form of consulting service from the Company.

Outlook

The Company will seek to add additional sales and consulting capabilities to capture increased volume of opportunities and intends to increase the marketing spend to build the Company's brand in the marketplace.

The Company intends to build new technology capabilities to capture growing market demand, and hire a full-time CTO and add additional development capacity.

An increase in working capital will allow the Company to smooth out the seasonality in the sales pipeline.

DIRECTORS' INTERESTS

The interests (all of which are beneficial unless stated otherwise) of the Directors and their immediate families and of persons connected with them (within the meaning of Section 252 of the 2006 Act) in the issued share capital of the Company and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director as at the date of this document and as they are expected to be upon completion of the Proposals, assuming (where applicable) that they subscribe for the maximum number of New Ordinary Shares they have agreed to take, as stated below (but excluding the interests in options over Ordinary Shares set out in paragraph 2.2 of the Circular), are as follows:

Name of Director	As at the date of this document		Immediately following Placing Admission	
	Number of Ordinary Shares	Percentage of Existing Issued Share Capital	Number of Ordinary Shares	Percentage of Share Capital Following Placing Admission
Matthew Cooper	22,929,576	26.94	42,929,576	28.93
Shawn Taylor	351,852	0.41	551,852	0.37
Ralph Welborn	-	-	340,000	0.23
Simon Charles	2,503,182	2.94	2,703,182	1.82

PLACING AND OPEN OFFER STATISTICS

Offer Price and Placing Price	2.5p
Number of Existing Ordinary Shares in issue at the date of this document	85,111,585
Number of Offer Shares available under the Open Offer	21,277,896
Number of Placing Shares	63,263,520
Number of New Ordinary Shares*	84,541,416

Estimated gross proceeds of the Placing *	£1.6 million
Estimated gross proceeds of the Open Offer*	£0.53 million
Enlarged Share Capital on Admission*	169,653,001
Percentage of the Enlarged Issued Share Capital represented by the New Ordinary Shares*	49.8
Market capitalisation of the Company on Admission at the Offer Price*	£4.2 million

** assuming that the Placing completes and there is maximum take up under the Open Offer.*

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for the Open Offer	5.30 p.m. on 24 May 2016
Announcement of the Issue	7.00 a.m. on 25 May 2016
Ex entitlement date for the Open Offer	8.00 a.m. on 25 May 2016
Application Forms and Circular posted to Qualifying Shareholders	26 May 2016
Open Offer Entitlements credited to accounts of Qualifying CREST Shareholders	27 May 2016
Latest time and date for receipt of Forms of Proxy for use at the General Meeting	11.00 a.m. on 9 June 2016
General Meeting	11.00 a.m. on 13 June 2016
Placing Admission effective and trading expected to commence	8.00 a.m. 14 June 2016
CREST members' accounts credited in respect of Placing Shares in uncertificated form	as soon as possible after 8.00 a.m. on 14 June 2016
Recommended latest time for requesting withdrawal of Open Offer Entitlements and from CREST	4.30 p.m. on 17 June 2016
Latest time for depositing Open Offer Entitlements in CREST	3.00 p.m. on 17 June 2016
Latest time and date for splitting of Application Forms (to satisfy bona fide market claims only)	3.00 p.m. on 20 June 2016
Latest time and date for receipt of completed Application Forms, and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate)	11.00 a.m. on 22 June 2016
Share certificates in respect of Placing Shares expected to be dispatched by no later than	23 June 2016

Result of Open Offer announced

by 24 June 2016

Open Offer Admission effective and trading expected to commence
in the Accepted Offer Shares

8.00 a.m. 27 June 2016

CREST members' accounts credited in respect of Accepted Offer
Shares in uncertificated form

as soon as possible after
8.00 a.m. on 27 June 2016

Share certificates in respect of Accepted Offer Shares expected to be
dispatched by no later than

6 July 2016

The times and dates set out in the expected timetable of principal events above and mentioned throughout this announcement and in the Application Form may be adjusted by the Company, in which event the details will be notified to the London Stock Exchange and, where appropriate, to Shareholders.

