



INVESTOR  
PRESENTATION

# Pressure Technologies

Interim Results for the period to 30 March 2019

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## Executive Management Team



**Chris Walters**  
Chief Executive

**Appointed - September 2018**

### Relevant strengths

- Business regeneration and growth
- Engineering expertise and credentials
- Energy and marine sector knowledge and network
- Multi-division, multi-region operations management

### Relevant experience

- Master's degree-qualified Chartered Engineer with over 25 years of experience. MBA from Imperial College, London.
- Fellow of the Royal Institution of Naval Architects and Fellow of the Institution of Marine Engineers, Science & Technology.
- Background in engineering design, construction and through-life integrity management for marine and oil & gas operational assets.
- Senior executive career with Lloyd's Register Group, including roles in the UK and overseas and the management of the Group's global marine and oil & gas certification businesses.
- Chief Executive and co-owner of VCT-backed oil & gas technology SME, TSC Inspection Systems.

### External commitments

- Trustee of the Royal National Lifeboat Institution (RNLI) and Technical Committee Chairman.
- Freeman of the Company of Cutlers in Hallamshire.



**Joanna Allen**  
Chief Financial Officer

**Appointed - July 2015**

### Relevant strengths

- IFRS financial reporting for AIM companies
- M&A, in particular financial due diligence
- Management information and data analytics
- Audit

### Relevant experience

- AIM company board and committees, in particular Audit and Risk Committee function and effectiveness.
- Audit and Transaction Services Director with PwC, focused on manufacturing and engineering clients.
- Shortlisted in the 2018 and 2017 Northern Finance Director Awards and the 2018 Yorkshire Finance Leader Awards.
- Qualified Chartered Accountant with the ICAEW.
- Degree in Business Studies from the University of Sheffield.

### External commitments

- Vice-chair of Governors at Hunter's Bar Infant School in Sheffield.
- Freeman of the Company of Cutlers in Hallamshire.

# Introducing Pressure Technologies plc

## Who we are:

Leading UK designers and manufacturers of high-integrity, safety-critical components and systems serving global supply chains in oil and gas, defence, industrial gases and hydrogen energy markets.



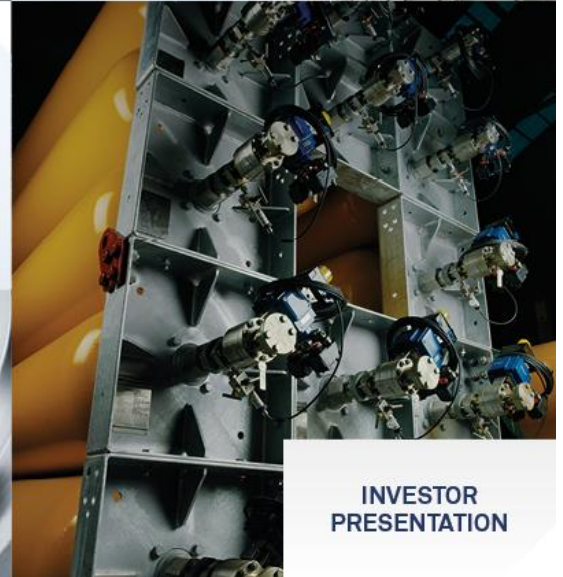
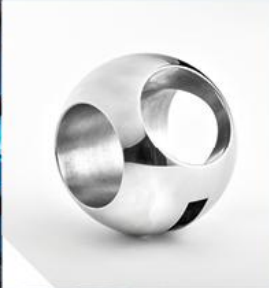
## Our Mission:

To create value for our customers by enhancing the performance of their safety-critical supply chains.  
To advance safety and reliability in demanding environments through technology, high-quality engineering and the skills of our people.

## 2019 - A Significant Period of Transition and Refocus

- Period of transition following the appointment of new Chief Executive, including operational management changes and progress made with organisational development and culture.
- Alternative Energy division divestment completed, enabling focus on core specialist engineering activities in target markets.
- Strategy review undertaken confirming strategic focus areas and objectives that will deliver phased growth and create value over the next five years.
- Restructuring and new leadership of the Precision Machined Components division will underpin the strategy for organic growth and drive operational efficiencies, cost savings and improved margins.
- Investment in the sales teams and key account management systems and processes to help drive sales growth and customer diversification.
- Recruitment and specialist training will further support recurring revenue growth in the high-margin Integrity Management services business.
- Investment in new equipment and strengthening of engineering teams to support growth in scale and the improvement of productivity margins.
- Opportunity to bring additional expertise and capability onto the Board to support the next phase of strategic development.



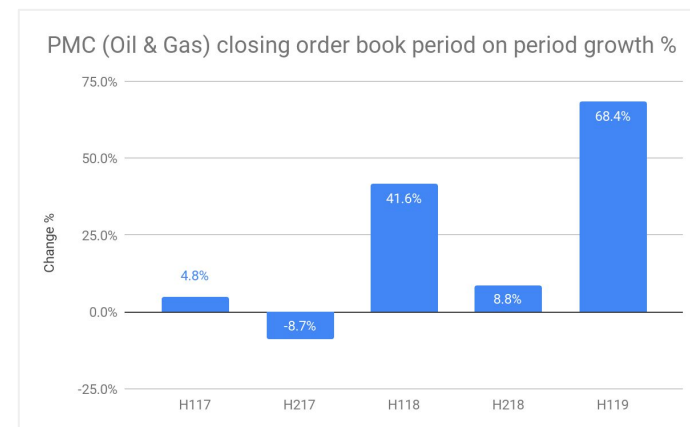
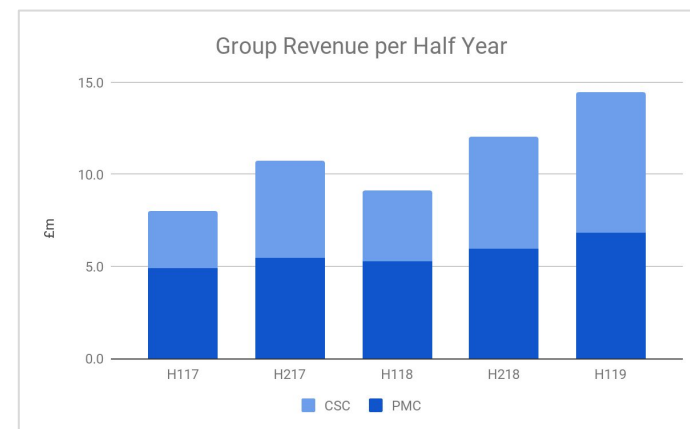


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## Business Highlights

# Key Highlights for the Period Ended 30 March 2019

- Group revenue up 59% to £14.5 million
- Gross profit up 73% to £5.0 million
- Adjusted operating profit\* of £1.3 million
- Order book 83% up from March 2018 in the Oil & Gas focused Precision Machined Components division
- Adjusted operating cash inflow\*\* of £0.7 million
- Net banking facility debt\*\*\* at £7.9 million
- Alternative Energy division divestment completed post period end for initial cash consideration of £2.0 million, £6.1 million promissory note and £2.0 million of shares, which has enabled immediate debt reduction with potential upside in the medium term
- Restructuring and new leadership of the Precision Machined Components division which continues to see increased demand
- First delivery by Chesterfield Special Cylinders division in the emerging hydrogen energy sector which represents a future growth opportunity for the Group
- Investment in new equipment of £0.6 million across the two divisions, with a further £2.7 million planned for this calendar year



*Note: Results presented for continuing operations only*

*\*before M&A costs, amortisation and exceptional charges*

*\*\*before exceptional cash costs*

*\*\*\*excluding asset finance leases*

# Summary Group results

	H119	H118*	FY18*
Revenue (£m)	14.5	9.1	21.2
Precision Machined Components Division	6.8	5.3	11.2
Chesterfield Special Cylinders Division	7.7	3.8	10.0
Gross profit (£m)	5.0	2.9	7.2
Adjusted operating profit/(loss) (£m)	1.3	(0.1)	1.0
Exceptional items (£m)	(1.0)	(1.2)	(2.3)
Operating profit/(loss) (£m)	0.3	(1.3)	(1.3)
Profit/(loss) before taxation (£m)	0.1	(1.5)	(1.1)
EPS basic (pence)	1.6	(5.5)	(6.0)
EPS adjusted (pence)	6.2	0.4	4.4
Dividend (pence)	nil	nil	nil

Revenue up

**+59%**

To £14.5m (2018: £9.1m)

Gross margin up 2.8 ppt to

**+35%**

(2018: 32%)

Return on Revenue up

**+10ppt**

to 9.3% (2018: -0.7%)

Exceptional items below adjusted operating profit relate to:

- £0.1m - Restructuring
- £0.9m - Amortisation of acquisition related goodwill and intangible assets

\*All results presented are for continuing operations, prior periods have been restated to remove results of discontinued operations



# Summary Group balance sheet

	H119 £m	H118 £m	FY18 £m
Goodwill & Intangible assets	16.8	27.0	25.8
Tangible Assets	12.4	12.2	12.0
Asset held for sale*	6.8	0.0	0.0
Inventories	4.3	6.0	4.4
Trade & other receivables	8.3	10.0	10.9
Trade & other Payables	(6.5)	(10.2)	(9.2)
Net Contract Balances	(0.2)	(0.0)	(2.6)
Net Working Capital	5.9	5.8	3.4
Tax Provisions	(1.0)	(1.2)	(1.2)
RCF facility borrowing	(12.3)	(12.3)	(11.8)
Cash and cash equivalents	4.4	3.9	6.1
Finance lease debt	(1.4)	(0.9)	(1.0)
Net Debt	(9.4)	(9.3)	(6.7)
Net Assets	31.5	34.5	33.4

\*Assets held for sale reflect those of the ALternative Energy Division at the balance sheet date which is classified as a discontinued operation

Goodwill & Intangibles % Net Assets

**54.0%**

(2018:78.3%)

Measured leverage covenant ratio

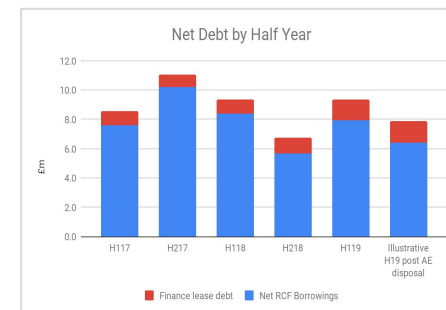
**2.1x**

(2018: 3.5x)

Net working capital % LTM sales

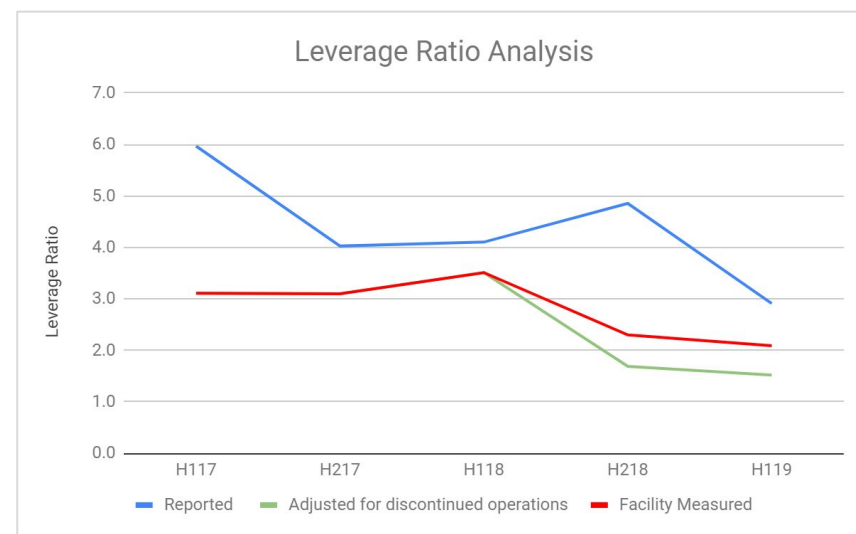
**22.5%**

(2018: 28.9%)



## Steady reduction in leverage which will improve further following the disposal of the loss making Alternative Energy Division which generated £2.0m cash on completion, £6.1m promissory note and £2.0m in shares

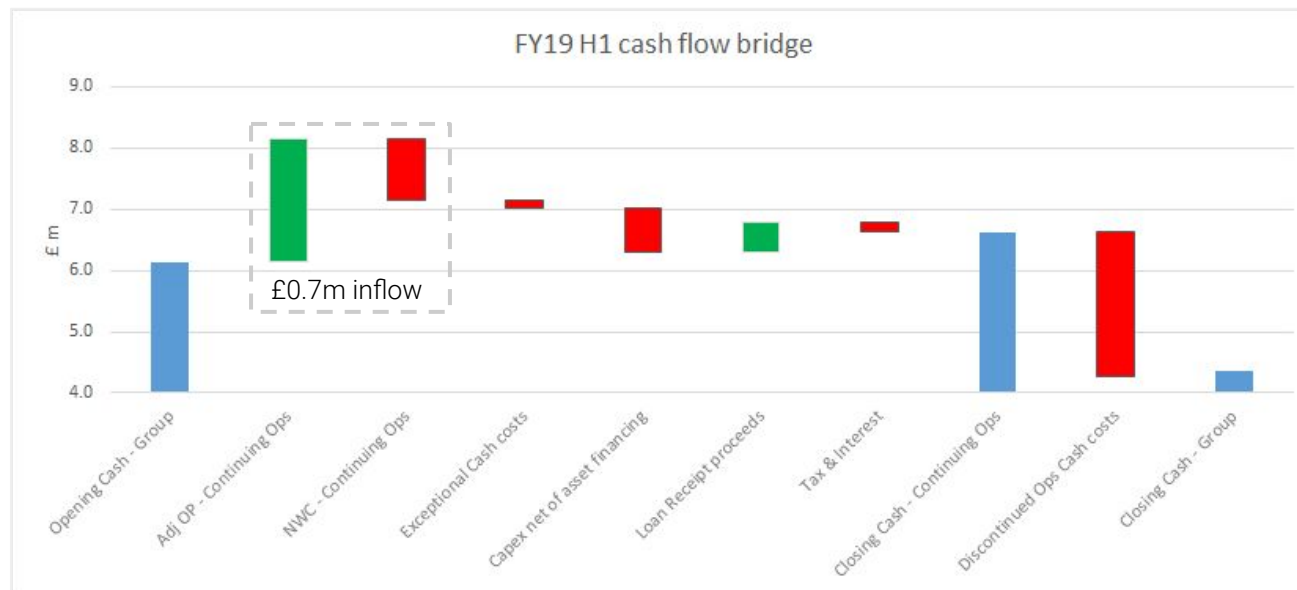
Net debt: EBITDA leverage	FY19 H1	FY18 H1
Reported last 12m EBITDA	£3.3m	£1.9m
Reported Net Debt	£9.4m	£9.3m
Reported leverage	2.8x	4.9x
Adjusted last 12m EBITDA	£3.8m	£2.4m
Adjusted Net Debt	£8.0m	£8.4m
<b>Facility covenant measured leverage</b>	<b>2.1x</b>	<b>3.5x</b>
Cash headroom	£3.4m	£1.2m



Adjusted EBITDA	FY19 H1	FY18 H1
Reported EBITDA	£3.3m	£1.9m
Add: Non-cash accounting items	£0.4m	£0.2m
Add: Non-statutory exceptional items	£0.1m	£0.3m
Adjusted EBITDA	£3.8m	£2.4m

Adjusted Net Debt	FY19 H1	FY18 H1
Reported Net Debt	£9.4m	£9.3m
Less: Non-BoS finance lease debt	£(1.4)m	£(0.9)m
Adjusted Net Debt	£8.0m	£8.4m

**Operating cash inflow from continuing operations in the period, however the overall net cash outflow in the period predominantly related to the Alternative Energy Division prior to disposal**



Adjusted operating cash inflow\*

**£0.7m**

(2018: £(2.2)m outflow)

Net investment in working capital\*\*

**£1.4m**

(2018: investment of £1.5m)

Net fundraising in 2018

**£nil**

(2018: £4.8m)

Increase in RCF facility

**£0.5m**

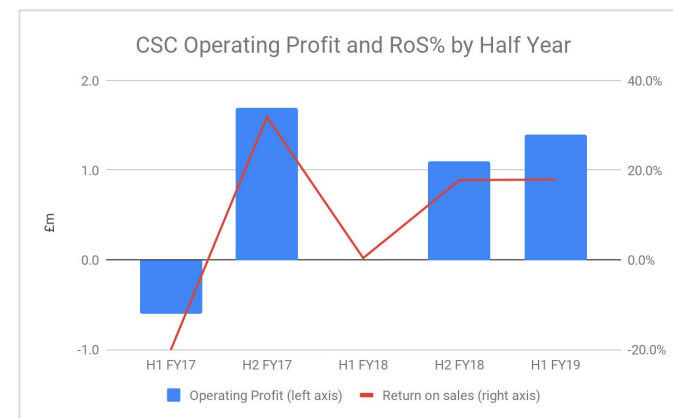
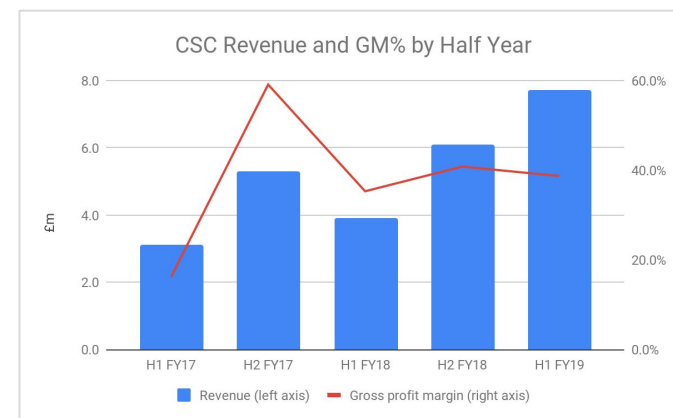
(2018: repayment of £2.7m)

\*adjusted for operating cash outflow from discontinued operations

\*\*before cash outflow for exceptional costs

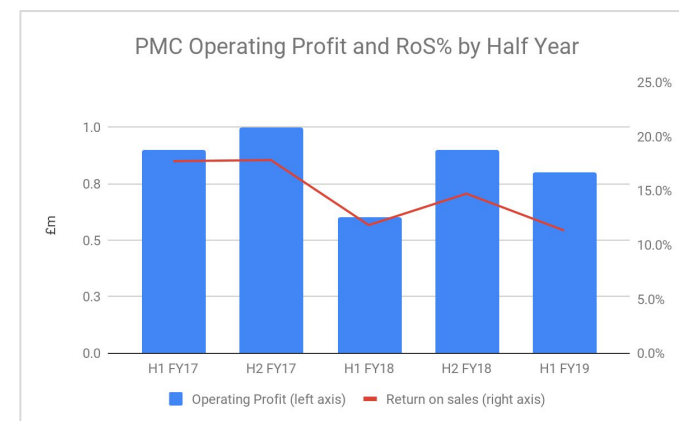
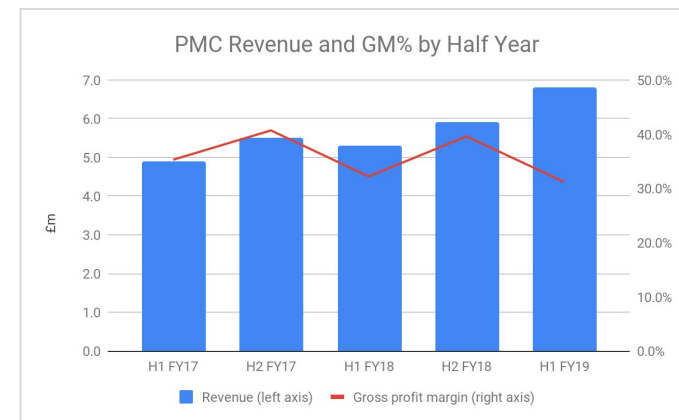
## Chesterfield Special Cylinders highlights

- Total revenue in the first half almost doubled to £7.7 million reflecting the phasing of defence programmes which ramped up during the second half of 2018
- Operating profit recovered to £1.4 million and return on sales was 18% in the period
- In the offshore oil and gas market, air pressure vessel demand for drillship and semi-submersible projects is expected to start a recovery in 2020/21. We delivered one project in the period and recently secured a further major order in this area
- Two orders secured in the emerging hydrogen energy market for large high-pressure ground storage cylinders, generating revenue of £0.4m in the period. This sector has the potential to become a significant long-term growth opportunity
- Investment in new equipment of £0.3 million in the first half and a further £1.0 million is planned, along with investment in IT and enterprise resource planning systems

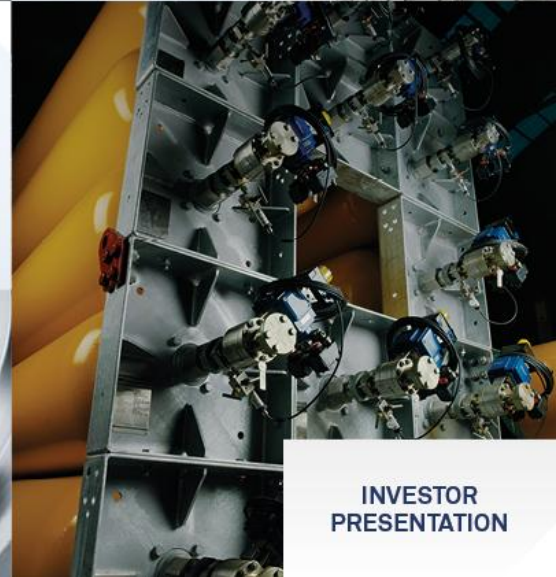
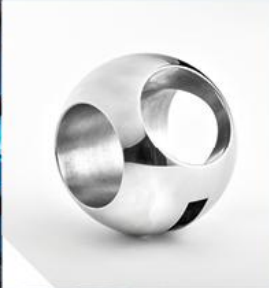


## Precision Machined Components highlights

- Total revenue increased by 29% to £6.8 million
- Order intake reached record levels during the period, with the order book 83% higher than in March 2018
- Operating profit increased by 24% to £0.8 million
- The sharp upturn in order intake and customer demand for shorter lead times strained the Division throughout the first half, adversely impacting operating performance and margins. Overall return on sales decreased by 0.5 percentage points to 11%
- Management changes and a new divisional operating model will underpin the strategy for organic growth and drive operational efficiencies, cost savings and improved margins
- Investment in new equipment of £0.3 million completed in the period. A further £1.7 million is planned for this calendar year on a further five machining centres, alongside investment in IT infrastructure and an improved manufacturing resource planning system







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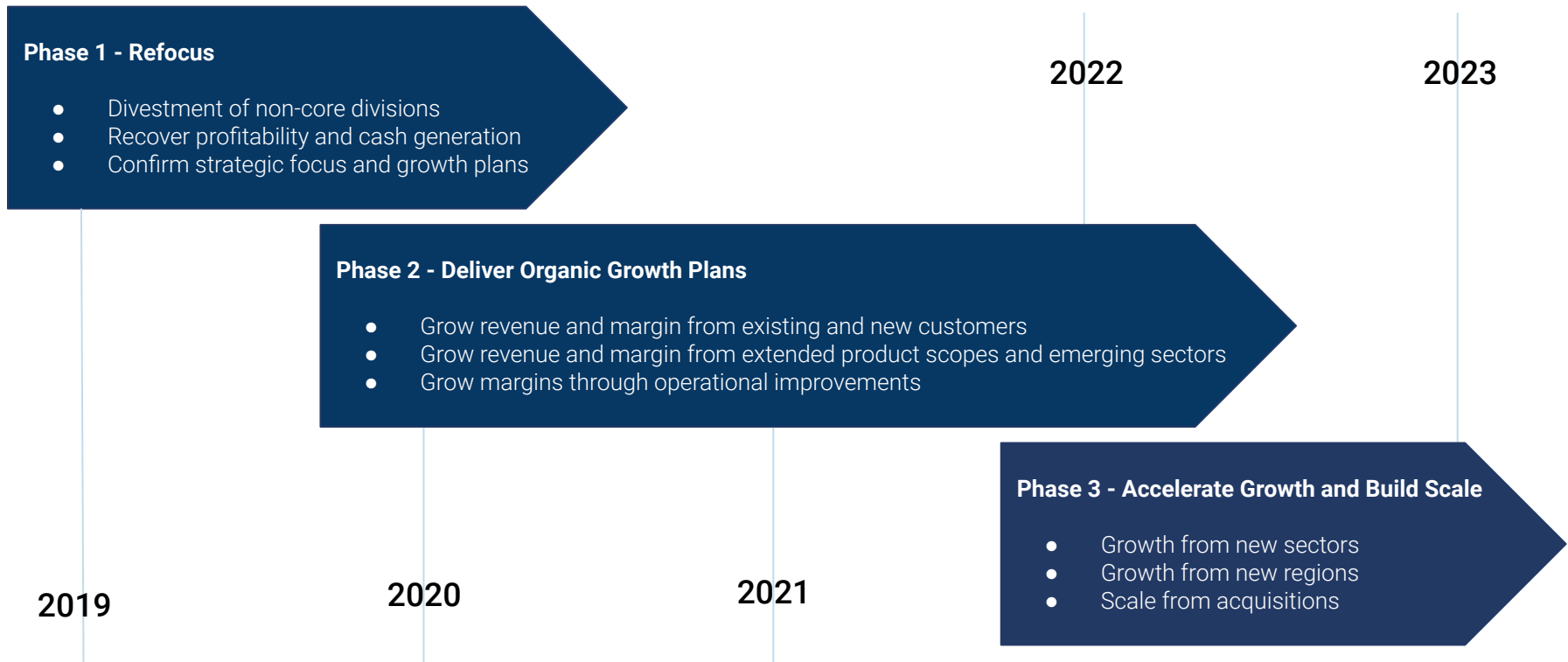
## Vision and Strategy

# Vision for Growth

## Creating value for investors, customers, colleagues and the communities we operate in through:

- Quality of our products and services
- Financial Performance - revenue, operating profit, EPS, dividend
- Customer Preference - market share, repeat business, new customers
- Operational Excellence - margins, lead times, supply chain performance

## Phased approach



# Chesterfield Special Cylinders - Products, Sectors and Customers

## Products and Sectors:

- Ultra Large Cylinders
  - Defence - Naval UK
  - Defence - Naval Overseas
  - Oil & Gas - Exploration & Production
  - Oil & Gas - Diving Support
  - Hydrogen Energy
  - Static Storage
  - Gas Transportation
- Small Cylinders
  - Defence - Aerospace

## Services:

- Integrity Management Services
  - Factory reconditioning, refurbishment, recertification
  - In-situ inspection, maintenance, reconditioning and recertification

## Defence Sector Customers:



## Oil & Gas Sector Customers:



## Gas Transportation Sector Customers:



# Chesterfield Special Cylinders - Strategic Focus for Organic Growth

## Ultra-Large Cylinder Supply



## Small Cylinder Supply



## Integrity Management Services



## Key initiatives to support organic growth plan

- Sales and margin growth, new customer acquisition:
  - Strengthen sales team
  - Drive sales effectiveness
  - Clear focus on growth products and sectors
  - Key account management
- Improve production margins
  - New skills, production methods and advanced equipment
  - Process efficiencies
  - Supply chain management
  - Production planning and utilisation
- Develop and grow recurring revenue from high-margin Integrity Management services
  - Extend service scope and customer base for in-situ inspection, maintenance and recertification
  - New service offering for emerging hydrogen energy sector
  - Sales focus for factory reconditioning and recertification

# Precision Machined Components - Products and Customers

## Products:

- Components supplied to OEMs for onshore & offshore capex and opex projects:
  - Drilling systems
  - Completions
  - Production systems
  - Flow control
  - Fishing systems
- Safety-critical, complex and independently certified components
- Cost of an individual component is very small in relation to overall system cost
- Impact and cost of installed system failure is very high

## Major Oil & Gas Customers:



**Weatherford®**

**BAKER  
HUGHES**  
a GE company

**NOV**  
**NATIONAL  
OILWELL  
VARCO**

**HALLIBURTON**

 **CAMERON**  
A Schlumberger Company

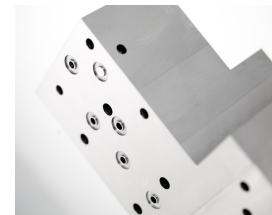


**Mi SWACO**

 **OneSubsea**  
A Schlumberger Company

**OCEANEERING®**

 **EXPRO**



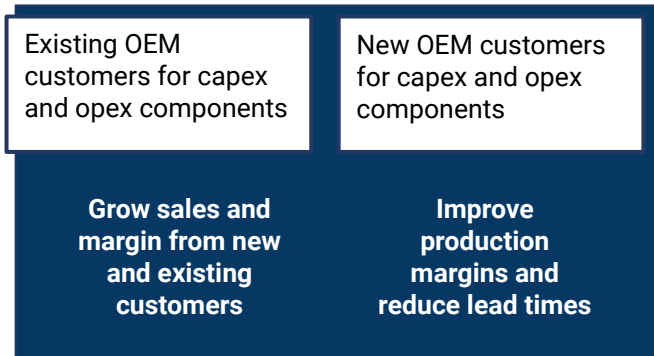
**Paal Kibsgaard, Chairman & CEO of Schlumberger, April 2019**

*"From a macro perspective, we expect the oil market sentiments to steadily improve over the course of 2019, supported by a solid demand outlook combined with OPEC and Russia production cuts taking effect, slowing growth in North America, and a further weakening of the international production base as the impact of four years of underinvestment becomes increasingly evident."*



# Precision Machined Components - Strategic Focus for Organic Growth

## Oil & Gas Capex and Opex Components



## Divisional Operating Model

- Transition from four locally managed subsidiaries to a new divisional leadership team and operating model in May 2019
- Advantages in scale through sales coverage, supply chain leverage, capacity utilisation and cost

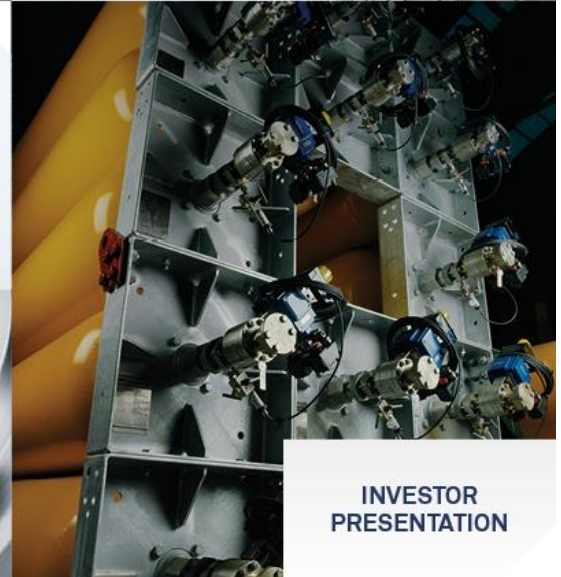
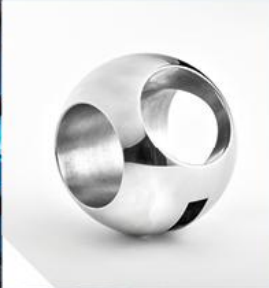
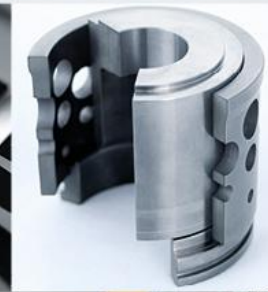


## Key initiatives to support organic growth plan

- Sales and margin growth, new customer acquisition:
  - Strengthen sales team
  - Drive sales effectiveness
  - Regional and customer focus
  - Key account management
  - Extended project scope and product range
  - Engineering design development for manufacturing
- Improve production margins and reduce lead times
  - New advanced machining centres
  - New Production Engineers on site
  - Centralised purchasing and supply chain management
  - Centralised load and capacity planning
  - New Manufacturing Resource Planning system

## Respected Brands





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## Conclusion and Outlook

## Conclusion and outlook

- Strategic divestments complete and refocused Group returned to profitability
- Robust CSC order book and record order book in PMC
- Global oil and gas market conditions improving
- Hydrogen energy opens a new exciting market for CSC
- Integrity Management growth continues
- Customer diversity increased in PMC and operating model changes will improve agility and margins
- Strategic review completed, focus areas confirmed for organic growth and operational improvements in progress
- Operational management changes implemented and progress made with organisational development and culture
- Further planned capital investment will support improvements and growth in production margins
- Board composition and succession under consideration. New NED appointments will be made in due course to bring additional expertise and capability to the Group

*"I am pleased with the progress we have made over the past six months in what has proved a very busy period, one that signals a return to profitability for the Group.*

*The sale of our Alternative Energy division, which completed in June 2019, was a key milestone. We now have a clear strategic focus and are making good progress with the management, operational and cultural changes that will help accelerate organic growth and performance improvements in target markets.*

*Our results for the first half of the year reflect the delivery of major defence contracts and improving conditions in the oil and gas sector. We are pleased with the growth in our orderbook and the increasing diversity of our customers and products.*

*I have confidence in the outlook for the Group as we approach the next phase of our strategy."*

**Chris Walters, Chief Executive**

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Please join us on LinkedIn

<https://www.linkedin.com/company/17971399/>

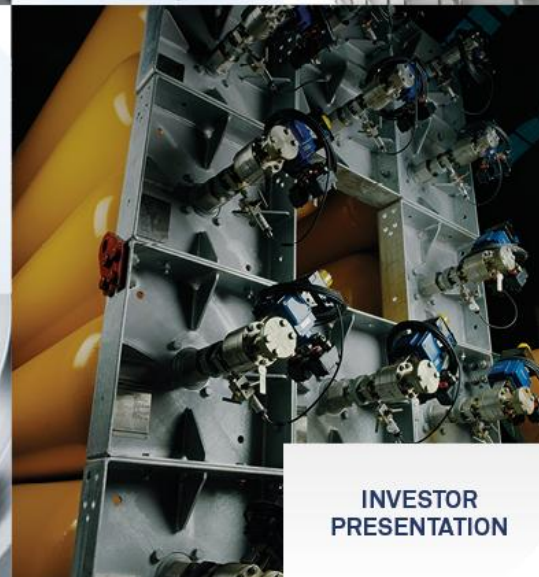
And keep up to date with news from around the Group

<http://www.pressuretechnologies.com/news>

Contact us

[pressure@investor-focus.co.uk](mailto:pressure@investor-focus.co.uk)





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## Appendix



## Independent Non-Executive Directors



**Neil MacDonald**  
Chair

### Appointed - June 2013

#### Relevant strengths

- M&A expertise
- Growing businesses
- Chartered accountant

#### Relevant experience

- A Chartered Accountant with 25 years of experience in the oil and gas and engineering industries.
- Former Group Finance Director of AES Engineering Limited the international mechanical seals manufacturer; and previously Group Finance Director of the international aerospace company, Firth Rixson.
- Numerous non-executive roles in the public and private sector.

#### External commitments

- Governor of Sheffield Hallam University, a private sector Board Member of the Sheffield City Region Local Enterprise Partnership and a trustee of various charitable organisations.



**Brian Newman**  
SID

### Appointed - September 2015

#### Relevant strengths

- Engineering expertise
- Knowledge of global industrial businesses, including cross-border M&A
- Divisional management experience

#### Relevant experience

- A Chartered Engineer with a degree in Engineering from Cambridge University and an MBA from Penn State University, USA.
- Former Divisional Director at two FTSE 100 companies, latterly at Melrose plc as EMEA Managing Director at its subsidiary, Bridon International Group.
- Former Divisional Managing Director at international engineering group GKN plc, with responsibility for its global Wheels and Axles Divisions.
- Over 40 years' experience in engineering having also previously served on the boards of two listed companies.

#### External commitments

- Non-executive Director with The Shrewsbury and Telford Hospital NHS Trust and a number of other organisations.

## Major Shareholders

Name of Shareholder	No. of Shares	Holding
Gresham House Asset Management	3,650,000	19.63%
Artemis Investment Management LLP	3,598,648	19.35%
Schroder Investment Management	1,232,304	6.63%
James Sharp	1,200,025	6.45%
J.T.S. Hayward	1,007,500	5.42%
Hargreaves Lansdown	923,557	4.97%
Matthew Crampin	575,214	3.09%
Unicorn Asset Management	567,167	3.05%

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