Pressure Technologies

Investor Presentation

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26 June ‘23

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Pressure Technologies

Agenda

- Group Highlights
- Group Financial Results
- CSC Division - Highlights & Outlook
- PMC Division - Highlights & Outlook
- Refinancing & Lloyds Facility
- Summary
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Group Highlights

- Improving trading conditions during H1 FY23 driven by Major defence contract placement and continued recovery in the oil and gas market

- Group revenue in H1 FY23 of £13.8 million (2022: £9.5 million) up 45%
- Gross profit of £3.7 million at 27% margin (2022: £2.1 million at 22% margin)

- Return to EBITDA profitability in H1 FY23 of £0.3m (2022: loss of £1.2 million)
- Operating loss (pre-exceptionals) of £0.5m (2022: loss of £2.1m)

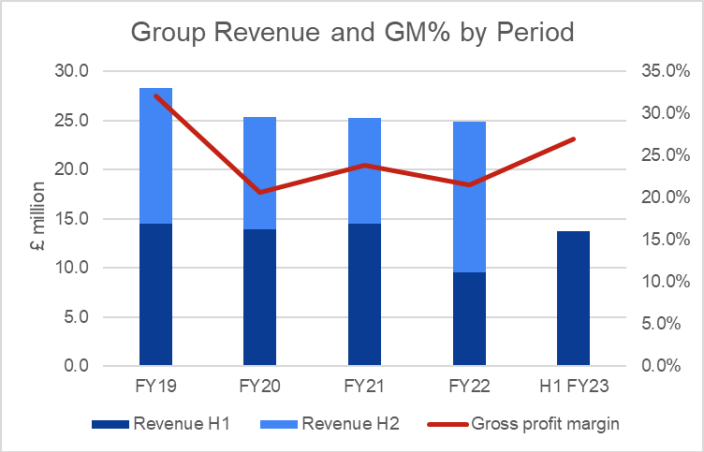
- Order intake of £34.3 million for 8m/e May 2023 (May 2022: £17.4 million) up 97%
- Current order book of £28.1 million at May 2023 (May 2022: £16.6 million) up 69%, the highest level for more than five years

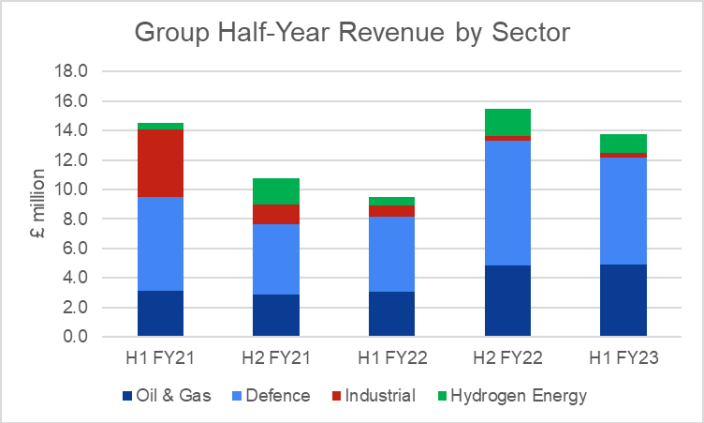
- Following a strategic review, the Board has decided not to divest Precision Machined Components at this time and will revisit strategic options for the division later in the year

- Refinancing of debt facilities has not progressed as expected with the ABL market challenging; the Board continues to explore options

Group Financial Results - Profit & Loss

	H1 FY23 £m	H1 FY22 £m	FY 22 £m
Revenue	**13.8**	9.5	24.9
Chesterfield Special Cylinders	**8.8**	6.3	17.6
Precision Machined Components	**4.9**	3.2	7.3
Gross profit	**3.7**	2.1	5.3
Adjusted operating (loss)/profit	**(0.5)**	(2.1)	(2.6)
Chesterfield Special Cylinders	**0.8**	(0.3)	0.4
Precision Machined Components	**(0.2)**	(0.8)	(1.1)
Group and Central costs	**(1.1)**	(1.0)	(1.9)
Exceptional items	**(0.7)**	-	(1.1)
Operating (loss)/profit	**(1.2)**	(2.1)	(3.7)
(Loss)/profit before taxation	**(1.4)**	(2.3)	(4.0)
(LPS)/EPS basic (pence)	**(3.9)**	(6.0)	(13.0)
(LPS)/EPS adjusted (pence)	**(2.7)**	(5.7)	(10.2)
Dividend (pence)	**nil**	nil	nil





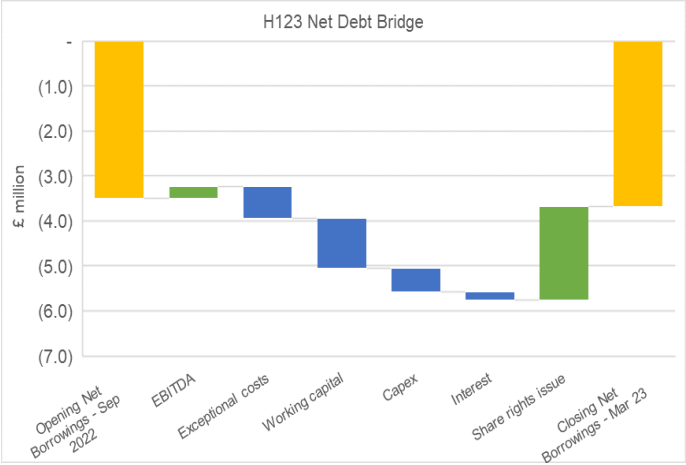
Group Financial Results - Balance Sheet & Net Debt

	H1 23 £m	FY22 £m	H1 22* £m
Intangible Assets	**-**	-	0.2
Tangible fixed assets	**10.1**	10.3	11.7
Right of use assets	**0.9**	0.9	0.8
Tangible Assets	**11.0**	11.2	12.5
Assets held for sale	**-**	-	-
Net Working Capital (NWC)	**5.5**	4.4	5.6
Long-term Liabilities	**(0.0)**	(0.0)	(0.1)
Tax Provisions	**0.0**	0.0	0.5
Cash	**1.1**	1.8	1.3
RCF drawn	**(1.9)**	(2.4)	(4.0)
Finance Leases & ROUA Liabilities	**(2.9)**	(2.9)	(2.7)
Total Net (Debt)/Cash	**(3.7)**	(3.5)	(5.4)
Net Assets	**12.8**	12.1	14.3

- **Loss after tax in H1 FY23 of £1.4m**
- **Equity issue in Dec '22 raised £2.1m (net)**
- **Net Assets increased by £0.7m in H1 FY23**

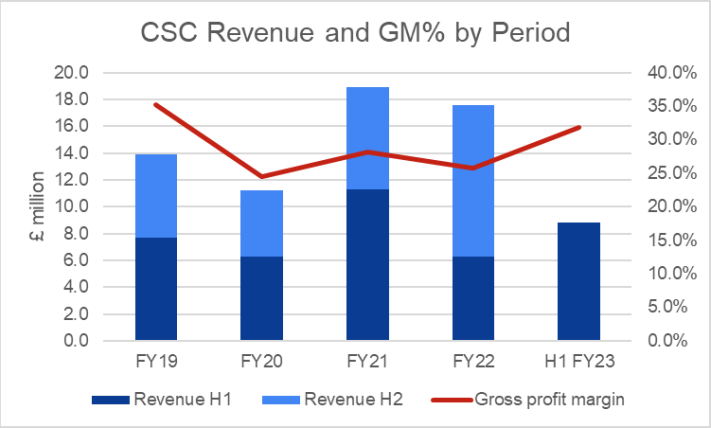
*** H1 '22 has been re-stated by £1.0m for impact of IFRS 15 prior year adjustment**

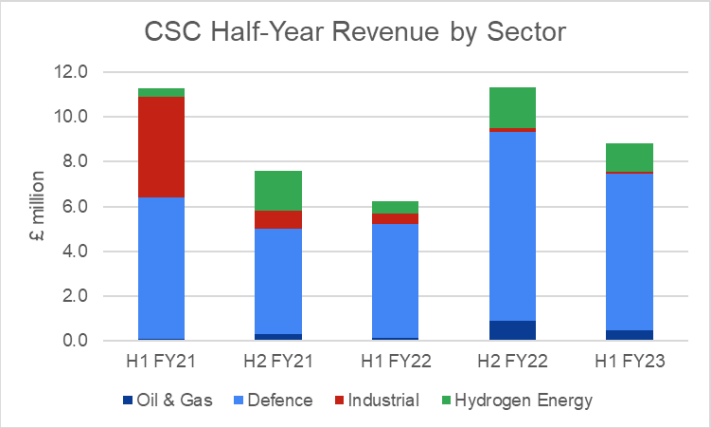
- **Net Debt increased from £3.5m to £3.7m due to Exceptionals, Working Cap and Capex:**



CSC Division - Highlights

- CSC revenue in H1 FY23 of £8.8 million (2022: £6.3 million) up 40%
- Driven by Defence work in the second quarter and progress in Hydrogen markets, underpinning improved EBITDA profitability
- Defence revenue of £7.0 million (2022: £5.0 million) reflecting strong order book and new contract placements for submarine and surface ship projects for UK and overseas navies
  - Largest ever contract award of £18.2 million announced in Feb 2023 to supply safety-critical pressure vessels for major UK naval new construction programme over three years to 2025
- Hydrogen revenue increased to £1.3 million (2022: £0.5 million) driven equally by sales of new refuelling station storage and periodic inspection, testing and recertification services for hydrogen road trailers.





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CSC Division - Highlights

- **Enquiry levels for Integrity Management services increased sharply during the first half of FY23, driven by growing activity in the offshore and hydrogen energy markets**

- **CSC order intake of £22.3 million in 8m/e May 2023 (May 2022: £12.4 million) supports a current order book of £19.2m million at the end of May 2023 (May 2022: £14.2 million), the highest order book level seen in the last five years, providing strong revenue cover for the remainder of FY23 and solid visibility into FY24**

- **CSC has made strong progress on its operational excellence improvements:**
  - Organisational changes have been made to strengthen the operations team through a focussed project management approach
  - Continuous improvement roadmap on-track through a dedicated team
  - Equipment maintenance processes have been strengthened with the appointment of new technicians and the roll-out of software to track equipment reliability
  - Focus on cost control and margin enhancement

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CSC Division - Outlook

- **Defence orders provide strong revenue cover for the remainder of FY23 and good visibility into FY24**

- **CSC also remains well positioned in the emerging market for hydrogen storage and transportation:**
  - Order placement from established and new customers was slower than expected during H1 FY23
  - Driven by constraints and delays in the broader supply chain for components required in the generation and compression of hydrogen for refuelling and decarbonisation projects.
  - Despite these delays, CSC delivered hydrogen revenues of £1.3 million (2022: £0.5 million) from several refuelling station projects and from periodic inspection, testing and recertification services carried out on existing hydrogen storage systems and road trailers

- **The conversion of the order book into revenue and profitability is dependent on the rate at which production outputs can be delivered, which in-turn is dependent on:**
  - Our own operational performance
  - The reliability and performance of our supply chain partners

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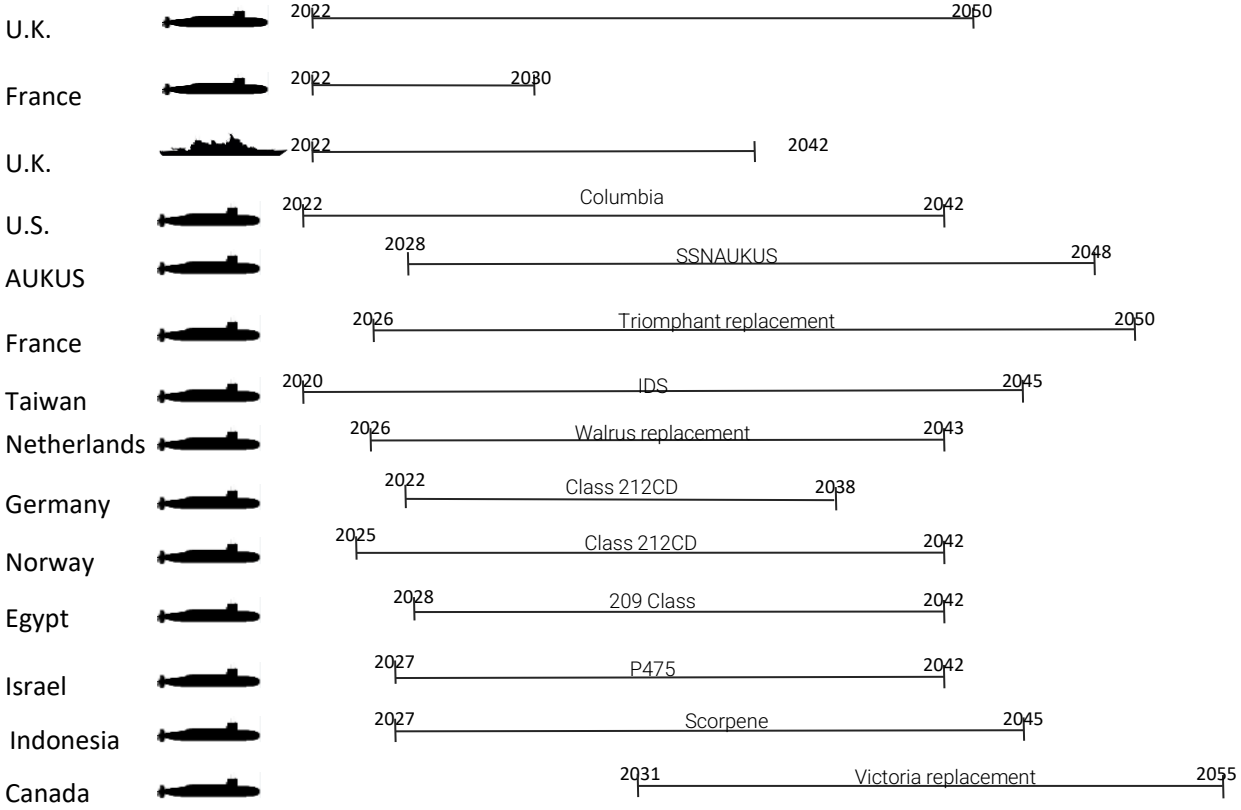
CSC Division - Long-term Outlook underpinned by Defence

- Total revenue opportunity of **£125m** over next 15 years
- Major programmes include:
  - AUKUS £32m
  - France £24m
  - US (Colombia) £19m
- Qualification process for GDEB (US Defence prime) is progressing on-track for Mar '24



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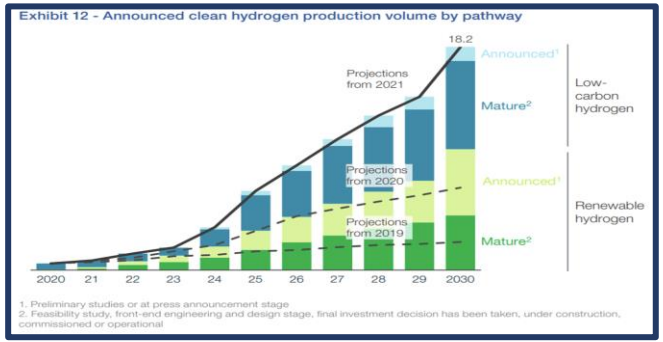
CSC Division - Long-term growth driven by Hydrogen economy

Today - 2023

- **Carbon reduction goals, Net Zero commitments**
  - EU - 55% emission reduction by 2030
  - UK – 78% emission reduction by 2035
- **Energy Security**
  - UK + EU – Natural Gas reduction leading to an increased role for H_2
- **Policy mandates by sector**
  - EU – 42.5% renewable energy in power generation, industry, buildings, and transport by 2030
- **Funding**
  - EU – CHP, CEF, IPCEI
  - UK – DESNZ and Innovate



Tomorrow - 2030

- **Hydrogen production**
  - Increasingly distributed
- **Deployment targets set**
  - EU – 10Mt of renewable hydrogen production domestically, increase electrolysis manufacturing to 17.5GW/a
  - UK – 10GW – min. 5GW green
- **Connecting Infrastructure**
  - Mix of pipelines and trailers required
  - Expected planning difficulties for pipeline will enhance trailer opportunities
- **Vehicle roll out**
  - HRS network growth AFIR
  - EU – Raised HDV emission reduction goals (45% by 2030, 65% 2035, 90% 2040). Contemplating mandating all new city buses to be ZE from 2030.
  - UK – New cars and vans required to be ZE by 2035, HGVs from 2040
- **Imports/Exports**
  - EU – 10Mt of renewable hydrogen imported

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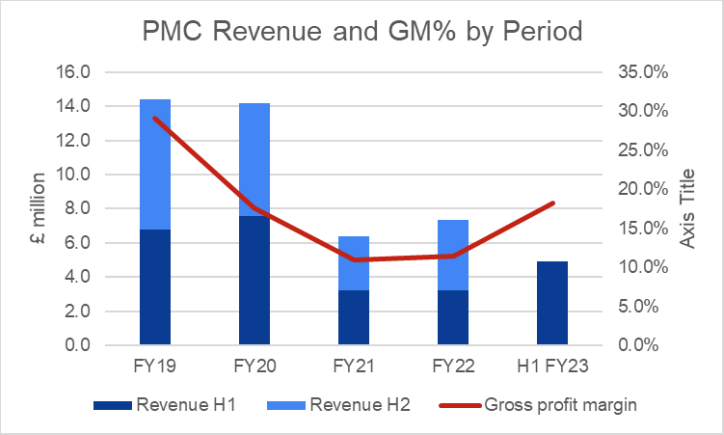
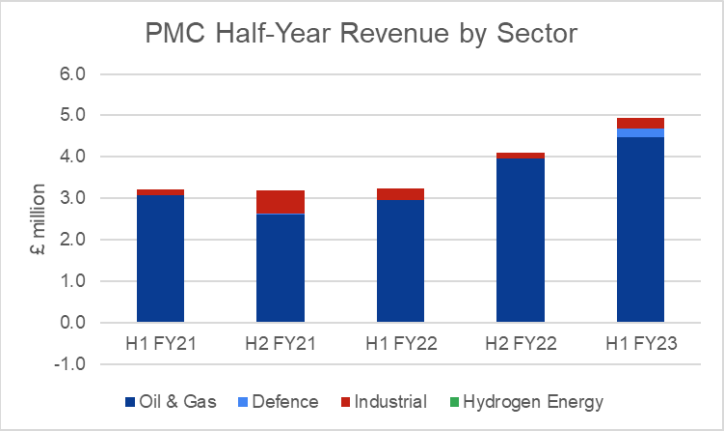
PMC Division - Highlights

- We are seeing the early stages of recovery in oil and gas markets and are encouraged by trading performance in the division
- PMC revenue in the first half of FY23 of £4.9 million (2022: £3.2 million) up 53% supporting a return to EBITDA profitability
- PMC order intake strengthened significantly in the first half of FY23 and reached £12.0 million in the 8 m/e May 2023 (May 2022: £5.0 million)
- Current order book of £8.9 million at the end of May 2023 (May 2022: £2.4 million), the highest order book level seen in the last five years, providing strong revenue cover for the remainder of FY23





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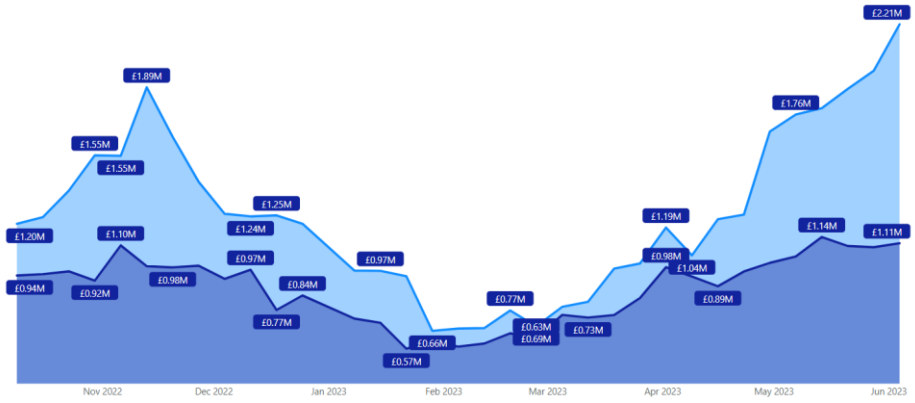
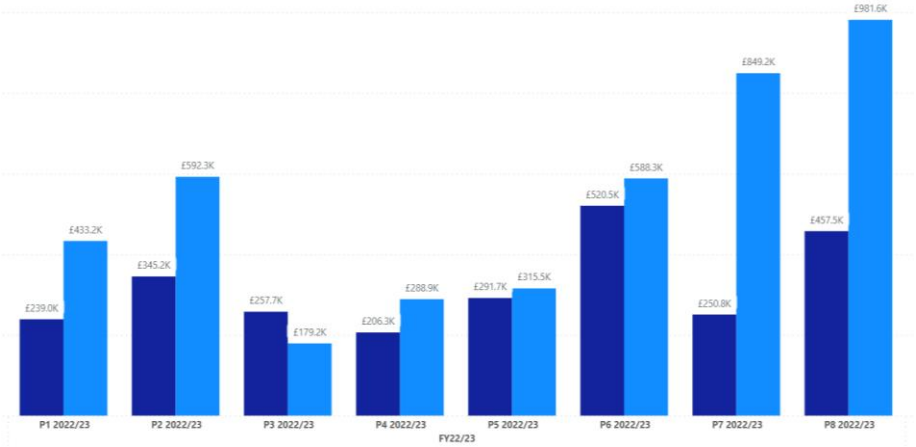
PMC Division - Highlights

- **Roota / Martract**
  - The demand for subsea well intervention tools, valve assemblies and control module components has continued to grow during H1 FY23 with a sharp improvement noted in April and May 2023
  - Aker, Expro, Halliburton and Schlumberger continue to report a stronger oil and gas market outlook for the second half of 2023 and are investing heavily in their global manufacturing capacity
  - Roota Engineering order intake in 8m/e May 2023 was **£4.2 million** (May 2022: £2.9 million) supporting a current order book of **£2.7 million** at May 2023 (May 2022: £1.3 million)

Roota trailing 12-week order intake FY23 vs FY22



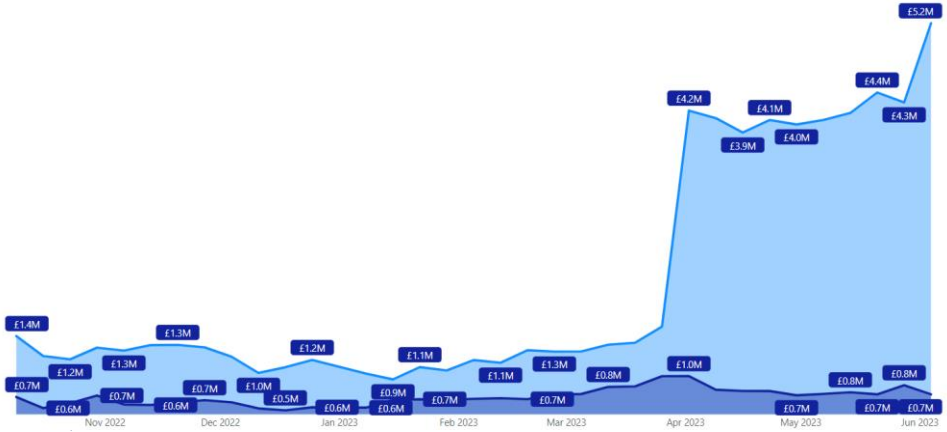
Roota monthly order intake FY23 vs FY22



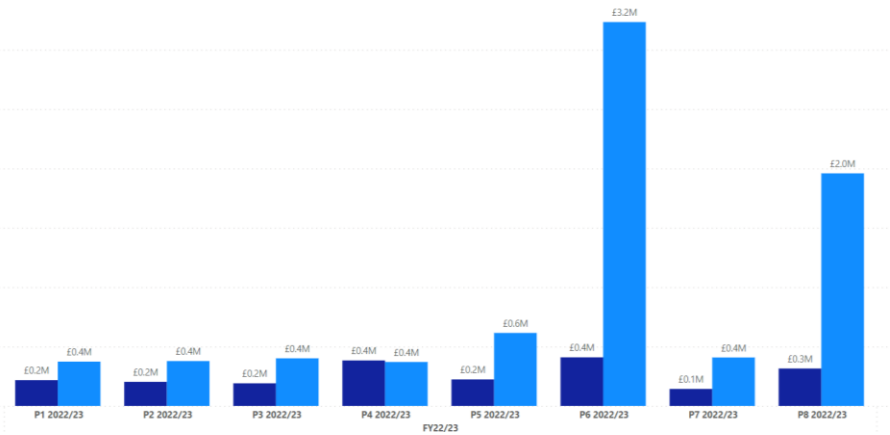
PMC Division - Highlights

- Al-Met – recovery of order intake has been particularly strong in H1 FY23
  - Demand for production drilling and flow control components, supported by a strong and sustained recovery in subsea tree new build capex, is expected to grow across 2023
  - Schlumberger and Baker Hughes report increasing investment to support oil and gas production in Middle East, South America, North Sea, US Gulf of Mexico, Canada and South-East Asia regions
  - Al-Met order intake in the 8m/e May 2023 was **£7.8 million** (May 2022: £2.1 million) supporting a current order book of **£6.2 million** at May 2023 (May 2022: £1.1 million)

Al-Met trailing 12-week order intake FY23 vs FY22



Al-Met monthly order intake FY23 vs FY22



PMC Division - Outlook

- In Nov '22, the Board announced that an improved trading environment and outlook created the potential opportunity to divest PMC in order to raise funds to progress strategic priorities in CSC

- A number of offers to acquire PMC were received but none were at a level that the Board felt appropriately reflected the value of the business, particularly in light of the improved outlook for the oil and gas market and the recent strong order intake of PMC

- As a result, the Board has decided not to divest PMC at this time and will revisit strategic options for the business later in the year

- The current order book provides strong revenue cover for the remainder of FY23

- The conversion of the order book into revenue and profitability is dependent on the rate at which production outputs can be delivered, which in-turn is dependent on:
    - Our own operational performance
    - The reliability and performance of our supply chain partners

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Refinancing

- **The Refinancing of the existing debt facilities of the Group has the following objectives:**
  - Repay Lloyds Bank in full (expiry in March 2024)
  - Provide working capital to support the strategic development of the Group
- **We have engaged with a number of prospective providers of asset-backed lending facilities**
- **These discussions have not yielded new financing facilities as expected**
- **The ABL market is tightening with concern as to the impact of rising interest rates on residential and commercial property market valuations**
  - This is translating into a gradual but noticeable tightening of credit appetite, requiring stronger debt serviceability and reducing the level of available facilities
- **The Board continues to explore options for Refinancing, including specialist property and receivables lenders and special situation funders**

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Lloyds Facilities

- The Lloyds facilities have been amended with maturity date brought forward from 31 March 2024 to 31 December 2023
- In return, Lloyds have agreed to waive financial covenant tests on 30 June 2023
- The Group may require additional financing after 31 December 2023 dependent on operational and financial performance
- The Board has a reasonable expectation additional financing can be raised

Summary

- The Group is well positioned in the defence and emerging hydrogen energy sectors and expects to benefit from recovery in the oil and gas market
- Based on the strong current order book, the Group is well placed to drive revenue growth
- However, we are cautious as to the rate at which the order book can be converted into revenue and profitability, requiring improvements in operational and supply chain performance
- The Board expects full-year FY23 Adjusted EBITDA to be below market expectations
- The Refinancing is taking longer than expected with tightening of ABL market
- The Group continues to explore a range of Refinancing options

Contact Us

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About Us

Pressure Technologies

Our Company Values

We put people first

We innovate & create the future

We work together

We deliver to the highest standard

Pressure Technologies

Introduction to Pressure Technologies

Our Purpose

Our Purpose is to advance safety and reliability in demanding environments through technology, high quality engineering and the skills of our people.

Our Vision

Our Vision is to build a Company that is globally recognised within its markets as the leading provider of pressure containment and control products and services to customers who operate in highly-demanding, safety critical environments where the consequences of product failure could be catastrophic

Pressure Technologies

Our Group

We are leaders in the design and manufacture of safety-critical components and systems serving global supply chains in defence, oil and gas, industrial and hydrogen energy markets

Chesterfield Special Cylinders

- Established in 1897
- Safety-critical gas containment systems
- Inspection and recertification services
- Global hydrogen, defence, oil and gas and industrial customers
- Growing presence in hydrogen energy market

Precision Machined Components (PMC)

Martract | Roota Engineering | Al-Met

- Al-Met, Roota Engineering and Martract brands
- Highly specialised precision components
- Complex, safety-critical applications
- Drilling, well intervention, production flow control
- Global OEM customer base

Our history - 125 years in the making

1897 — The Universal Weldless Steel Tube Company Ltd was formed in London

1906 — Chesterfield Tube Company (CTCO) acquires The Universal Weldless Steel Tube Company Limited.

1921 — The first seamless stainless steel tubes were manufactured by CTCO.

1961 — CTCO 10,000,000 cylinders had been manufactured and supplied to a customer base of 269.

Cylinders are now made to carry virtually all commercially compressed gases including: oxygen, carbon dioxide, nitrogen, acetylene, nitrous oxide, hydrogen, freon, chlorine, sulphur dioxide, ammonia, argon and helium.

2004/05 — Supply and growth for hydrogen static and mobile storage continues with ongoing trailer system development and production.

Chesterfield Special Cylinders

MBO of Chesterfield Tube Company Limited. Renaming of the business to Chesterfield Special Cylinders (CSC) and relocated the business to Sheffield.

2007 — Pressure Technologies

Pressure Technologies plc is established and listed on AIM.

2010

Al-Met

2010 Acquisition of Al-Met, specialist in complex flow control parts and founding of the **PMC division at Pressure Technologies.**

2014/15

Roota Engineering

Acquisition of Roota Engineering in 2014, experts in complex bespoke components and addition to the PMC division at Pressure Technologies .

2015 Integrity Management team established for in-situ inspection and recertification. delivering major time and financial savings for customers due to decreased down time.

2017

Martract

Acquisition of Martract, the final business to join the PMC division.

2019 — CSC Develops a clear strategy to refocus, deliver and accelerate growth plans and build scale.

2022

CSC builds dedicated hydrogen team with clear focus for accelerating hydrogen opportunities and revenue.

What makes us unique?

125 years in the making

Decades of design, manufacturing and supply to worldwide markets

- UK manufacturer of cylinders, tubes and pressure vessels
- Experienced and skilled Engineering and Research & Development teams
- Manufacture and Certify to a range of codes, directives and in different jurisdictions (e.g. PED, TPED, ISO 9809, ISO 11120, ASME, AD2000, UK/EU/USA)

Trusted by our customers

Very strong presence in the hyrdrogen market in Europe and ROW

- Proven delivery with excellent customer base
- Collaborations with customers from conceptual design phases to completion to realise their projects
- Develop ready /turnkey solutions for EPCs

One stop shop

We design, manufacture and maintain world-leading bespoke pressure gas containment solutions

- Working from design stage to optimise and conduct through-life servicing
- Pioneered British Standard for in-situ testing with reduced equipment downtime

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Our operational facilities - Pressure Technologies

1.Chesterfield Special Cylinders and Pressure Technologies Head Office	
Employees	125
Property	Meadowhall Road, Sheffield
Specialisms	High pressure gas containment cylinders and in-situ inspection and recertification
2. Roota Engineering	
Employees	36
Property	Rotherham
Specialisms	Turning, Milling & Inspection
3. Martract	
Employees	10
Property	Barton-upon-Humber
Specialisms	Grinding & lapping
4. Al-Met	
Employees	36
Property	Pontyclun
Specialisms	Turning, Milling, Grinding, Inspection & Wire and Spark Erosion

PT Group revenue 2021

£25.3M

Pressure Technologies

Fuelling hydrogen storage for over 80 years

Proven track record for the delivery of many hydrogen projects

- Engaged with the world's leading hydrogen sector players
- Provided Type 1 pressure vessels for many HRSs, cylinders/tubes for commercial vehicles, trains and small marine vessels
- In excess of 20 projects delivered across the UK and Europe customers such as for Shell, Haskel, McPhy, ITM Power and Arcola (Ballard Motive Solutions)
- Valued and trusted by customers for advice and design of safety-critical applications

Chesterfield Special Cylinders

Our ground & transportable end-end H_2 gas storage solutions

- Hydrogen gas storage
  - Refuelling storage - HRS
    - Ground storage
  - Transportable solutions
    - Trailers and Bundles (MCP's)
  - Industrial decarbonisation
    - Green hydrogen - ground storage
    - Hub-spoke - transportable, swap storage