

# AGM Presentation

17 February 2016

**Presented by**

Alan Wilson, Chairman

John Hayward, Chief Executive Officer



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# Agenda

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- Formalities
- Oil and gas market conditions
- Group overview
- Focus on Alternative Energy
- Lunch
- Tour of Chesterfield Special Cylinders

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# Formalities

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# Resolutions

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## Ordinary business

- **Resolution 1:** Approval of Annual Report and Financial Statements
- **Resolution 2:** Remuneration report
- **Resolution 3:** Confirmation of Joanna Allen as a Director
- **Resolution 4:** Confirmation of Brian Newman as a Director
- **Resolution 5:** Final dividend in respect of the period ended on 3 October 2015

- **Resolution 6:** Reappointment of auditor and fixing of remuneration
- **Resolution 7:** Authority for Directors to allot shares

## Special business

- **Resolution 8:** Purchase of own shares
- **Resolution 9:** Waiver of pre-emption rights

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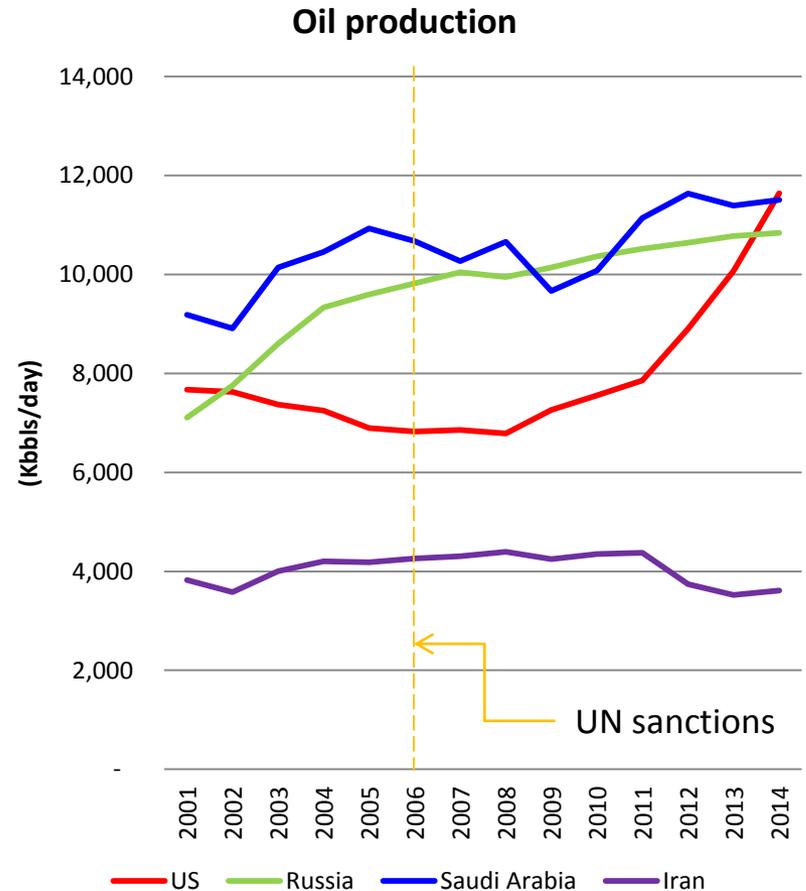
# Oil and gas market

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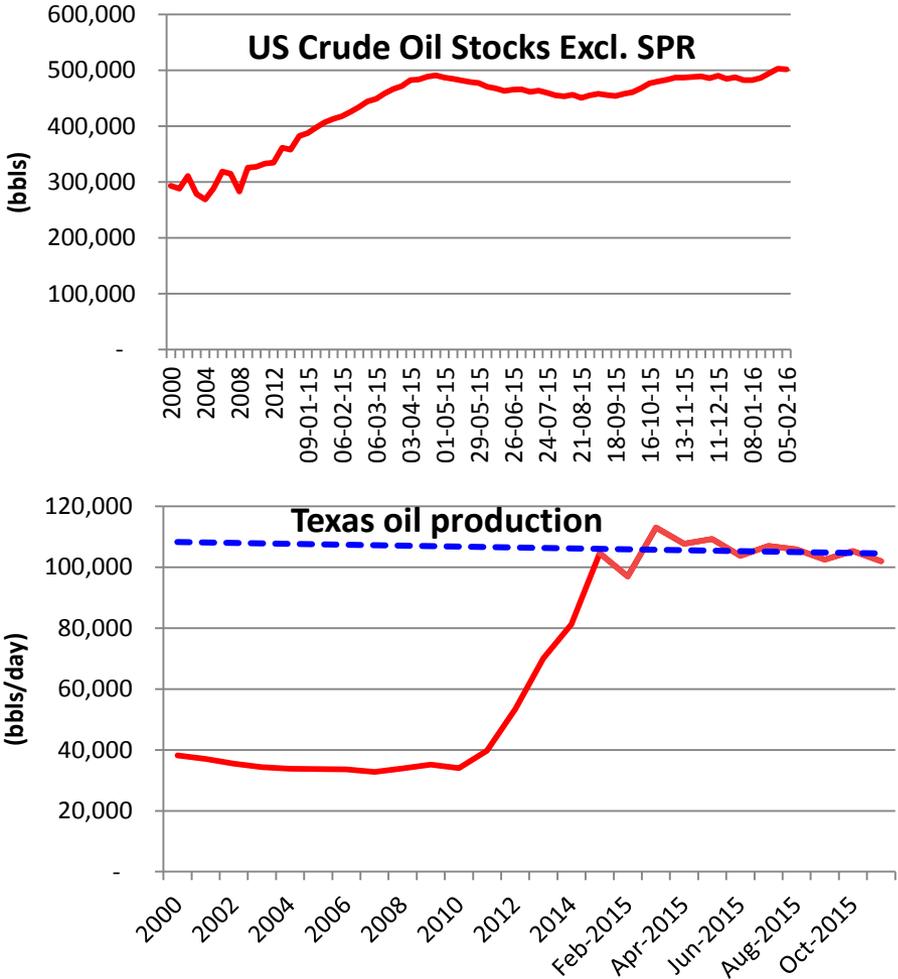
# Too much oil...

- In 2014, the USA, Russia & Saudi Arabia produced over 38% of the world's total oil supply
- In the preceding ten years, oil production from these countries increased by 160%, 116% and 110% respectively
- Despite US & UN sanctions, Iran has produced an average of 4mbbls/day since 1995



# Key indicators...

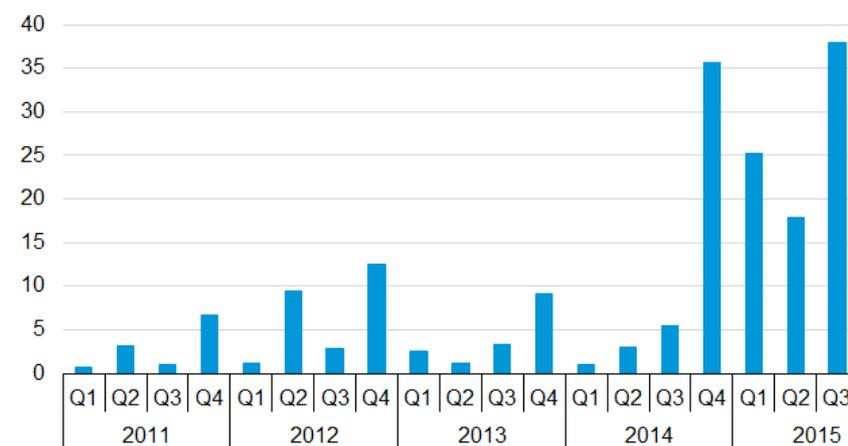
- US crude oil stocks have increased by 30% since January 2015
- Texas oil production reduced by 10% between March-November 2015



# Consequences

- Unprecedented oil company balance sheet restructuring: \$112bn 2014-15
- Considerable banking uncertainty prevails, particularly in the USA
- The S&P500 energy sector ended 2015 down 24%, with Q4 earnings expected to decline nearly 70% year-on-year
- Half of US shale drillers may go bankrupt
- Exploration and production companies have shed 60,000 jobs in Texas alone
- North Sea oil industry set to suffer a loss of 23,000 jobs over the next five years
- Oil & Gas UK proposed permanent cuts to the 67.5% and 50% headline North Sea tax rates to 30%...talks continue with Government
- Oil prices jump on talk OPEC is ready to deal - crude oil surges the most in seven years as volatility soars – 13/2/2016

Figure 1: Asset write-downs for oil companies  
billion 2015 dollars

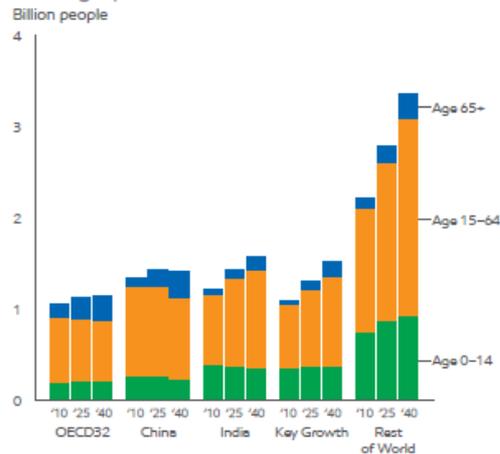


Source: U.S. Energy Information Administration, Evaluate Energy.

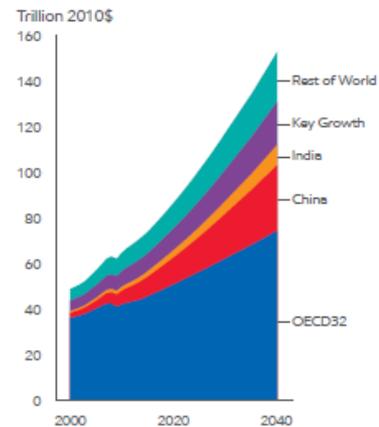
# Global fundamentals...2014-40

## Global fundamentals – projections

Demographics

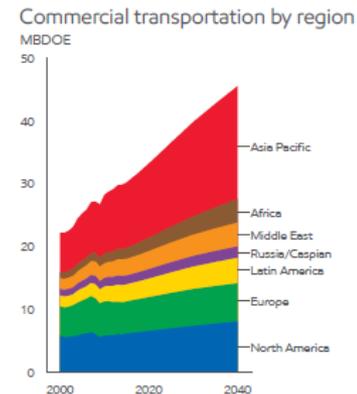
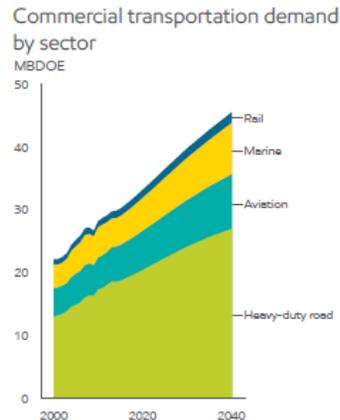
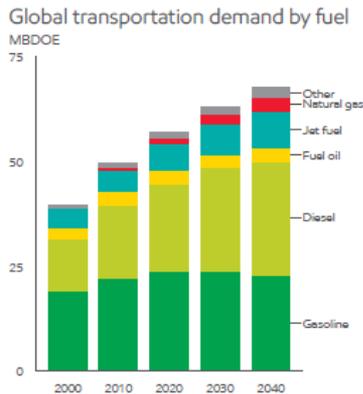


GDP



- World's population grows by 25%
- India rises to 1.6bn by 2040, surpassing China
- Economic growth drives energy demand
- Global GDP will more than double
- OECD32 grows by about 65%, but share of global GDP shrinks by almost 15%
- China rises to almost 20% of world GDP, close to the USA and 5% higher than India

# Global fundamentals...2014-40

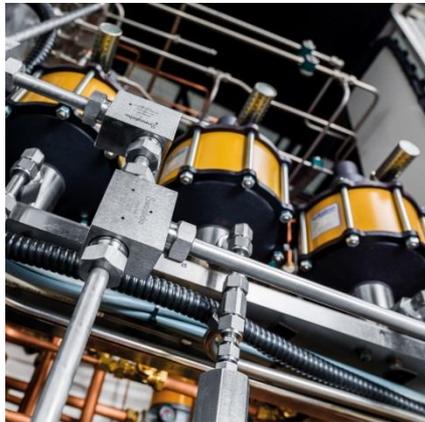


- Oil fuels about 95% of transportation
- Demand for diesel & jet fuels grow 45% & 55% respectively
- Trade & economic growth spur close to 55% rise in transport, so demand for trucks & buses rises 45%
- Aviation, marine, rail demand also grow, rising about 65% in total
- Commercial transportation driven by economic growth and trade
- Asia Pacific accounts for 50% of commercial transport energy growth
- By 2040, 40% of commercial transportation demand is in Asia Pacific

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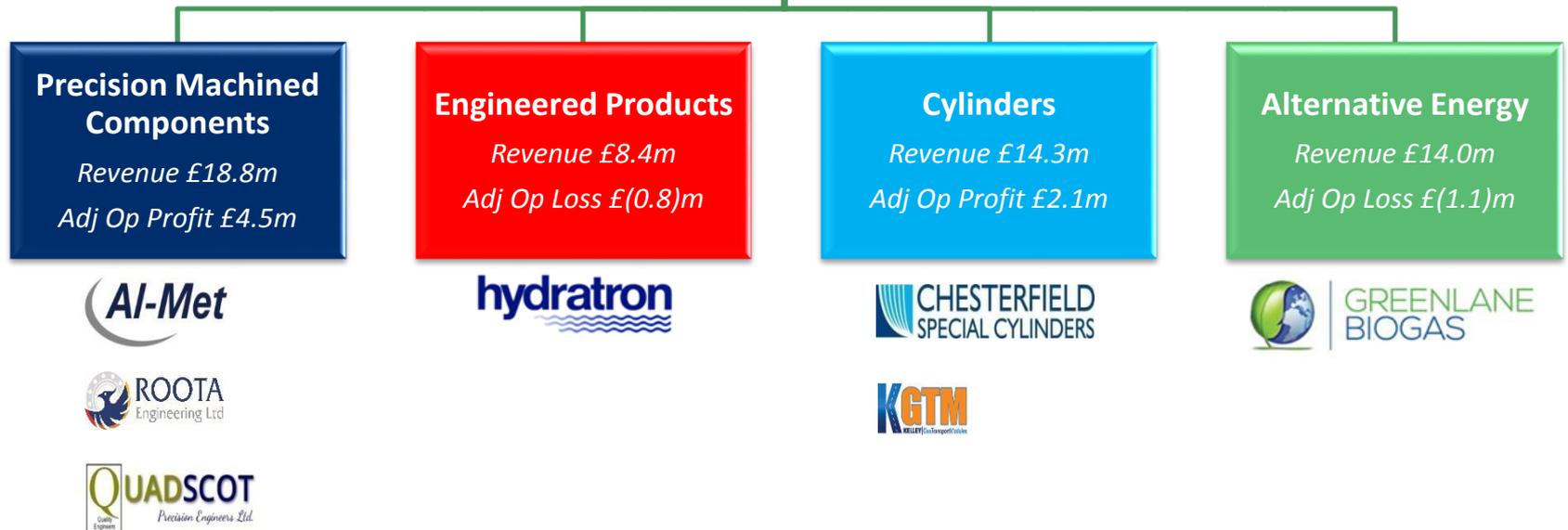
# Group overview

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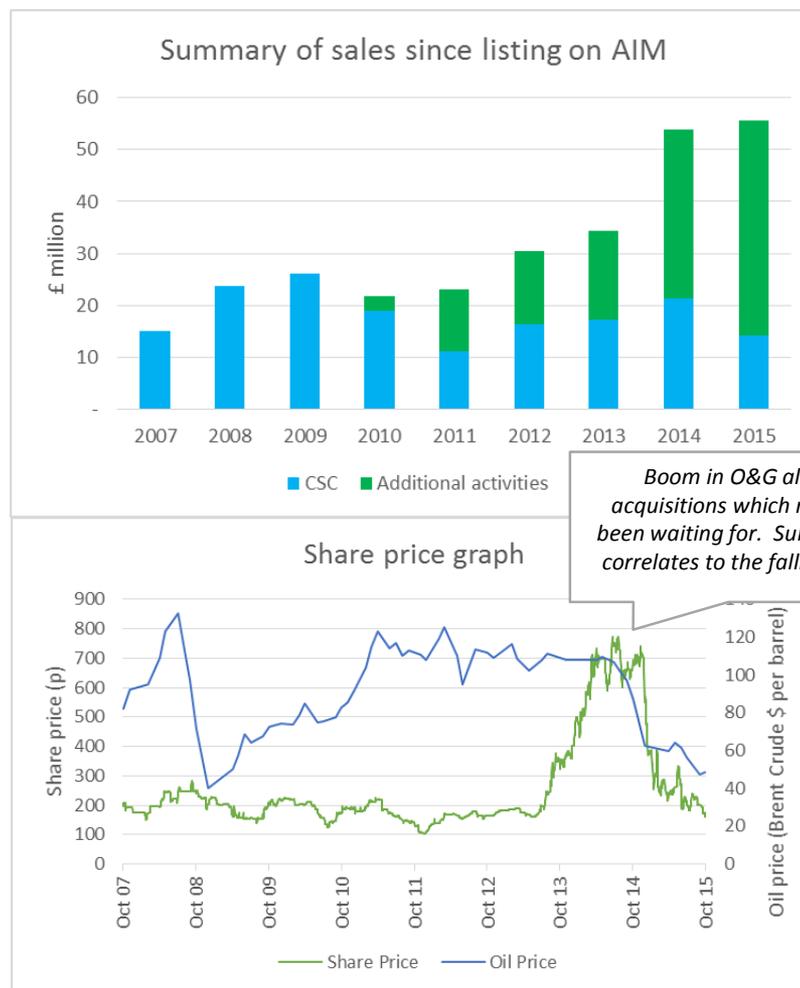
# A specialist engineering group supplying niche products & services to the global oil and gas, defence, industrial gases and AE markets

Pressure Technologies plc  
2015 - Revenue **£55.6m**  
Adjusted Operating Profit **£3.3m**



# Since IPO the group has delivered on its medium/long-term strategy to widen the range of activities

- At IPO the Company's medium and long-term strategy was defined as:  
*"..widening the range of the Company's activities, as well as enhancing the profit margin by introducing better working practices. Examples of which the board intends to act upon include:*
  - *Identifying various opportunities to enhance margins by bringing in-house activities*
  - *Look for opportunities to deliver ancillary services*
  - *Explore diversifying into different areas of operation where existing core skills and expertise would be applicable in the engineering, manufacturing and service sectors"*
- With the acquisitions in the precision machining businesses, in-sourcing and diversification into Alternative Energy the Group has consistently delivered on this strategy



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# Precision Machined Components Division

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Almost 100% focus on oil and gas market

Market share maintained through cost down initiatives and short delivery lead-times without compromising product quality

Wear parts and consumable tooling sales holding up well

Capital equipment market subdued

Winning new customers and product development expected to feed into sales revenues from Q4



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# Engineered Products Division

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Division has seen the most marked impact in the oil and gas sector

Core high-pressure pump products impacted by reductions in maintenance spend and higher asset utilisation by customers

Rental model offering opportunities in the US

Test benches affected by reductions in discretionary spend

Management of the division restructured:

- New divisional managing director
- US operation restructured as a sales and engineering facility

Significant organic growth potential backed up by new structure and product and service development



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# Cylinders Division

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Division performing in line with expectations

Current order book underpinned by defence contracts

US sales office making steady progress

Further progress with Integrity Management

Good pipeline of potential orders mostly outside the oil and gas market

Timing of new orders



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# Alternative Energy Division

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Restructuring was completed last year

Driver for sales is incentives and not oil and gas prices

Two contract wins in January and significant pipeline across Europe, North America and China

Timing of contract wins is important but long term contract accounting gives a better spread of revenues and profits

Maintenance services becoming an important source of revenue

Technology agnostic and able to offer best solution through water wash, PSA and membrane products

More detail in the divisional presentation



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# Summary & Outlook

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Oil and gas market remain challenging but underlying medium to long-term prospects for the Group remain very positive

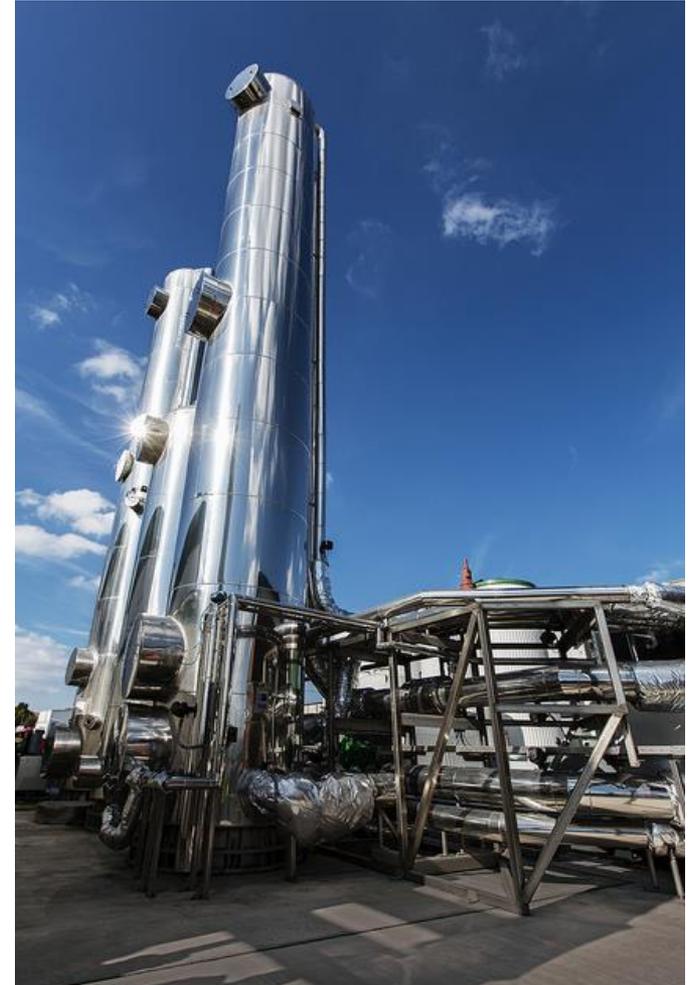
Market conditions mask the Group's strengths in product and service quality and strong customer relationships

Major restructuring carried out across the Group to cut costs and improve efficiency with core skills retained

Short term opportunities for growth in the Alternative Energy Division which are not driven by the oil price

Well placed to take advantage of opportunities as market conditions improve

The Board remains confident in the medium to long-term prospects for the Group



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