

*The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the UK version of the EU Market Abuse Regulation (2014/596) which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, ("MAR"), and is disclosed in accordance with the Group's obligations under Article 17 of MAR. Upon the publication of this announcement via a Regulatory Information Service, this inside information will be considered to be in the public domain.*



**27 September 2024**

**Pressure Technologies plc**

("Pressure Technologies" or "the Company" or "the Group")

**Sale of Precision Machined Components Division and Board Changes**

Pressure Technologies plc (AIM: PRES), the specialist engineering group, is pleased to announce that it has exchanged contracts and agreed the sale of PT Precision Machined Components Limited ("PMC" or "the Division") to Raghu Vamsi Machine Tools Private Limited ("Purchaser"), a manufacturer of precision engineered components based in India, for an initial enterprise value of £6.2 million with the potential to increase to £7.7 million dependent on the future performance of the Division (the "Sale" or "Transaction"). Further details on the consideration structure are set out in the paragraph titled Sale Terms, Enterprise Value and Cash Consideration below.

**Rationale for the Transaction**

PMC manufactures highly specialised components for use in safety-critical subsea and surface flow control applications, serving global oil and gas OEM customers through its Al-Met, Roota Engineering and Martract operations in the UK.

As previously announced, PMC was identified as non-core by the Group, with a shift in strategic focus to the development and growth of the Group's principal division, Chesterfield Special Cylinders ("CSC").

The Sale simplifies the corporate structure of the Group and leaves CSC as its only operating business. The Board is now focused strategically on the development and growth of CSC in defence and hydrogen energy markets and in through-life Integrity Management services. The Group will provide further updates on the strategic outlook for CSC together with final results for the financial year ending 30 September 2024.

Contracts for the Sale have been executed and exchanged between the Company and the Purchaser today and the Transaction is expected to complete no later than 8 October 2024, upon receipt of the Sale proceeds by the Company.

The proceeds of the Sale will be used to repay the outstanding balance of £1.0 million of the Group's Term Loan, which was raised in November 2023 from two of its major shareholders. The balance of the proceeds will provide increased working capital headroom and enable investment to support growth opportunities at CSC, including those in the developing hydrogen energy sector and the global defence market.

**Sale Terms, Enterprise Value and Cash Consideration**

Pressure Technologies has agreed to sell PMC for an initial enterprise value of £6.2 million, including net debt of £3.4 million, resulting in an initial equity value of £2.8 million. The net debt, comprising cash balances of £0.5 million less finance lease liabilities of £0.9 million, right of use asset lease liabilities of £1.0 million and a debt balance of £2.0 million payable by PMC to Pressure Technologies ("PMC Debt"), will be assumed by the Purchaser's group.

The initial equity value will be satisfied by cash on completion of £2.8 million. In addition, the PMC Debt is to be redeemed in full at completion by a cash payment of £2.0 million. Pressure Technologies will therefore receive total cash proceeds at completion of £4.8 million. The settlement of cash proceeds is subject to a locked-box mechanism customary for a transaction of this type.

The Company is also eligible to receive additional cash consideration from the Purchaser dependent on the future performance of the Division up to a maximum of £1.5 million ("Variable Consideration"). The Variable Consideration is to be calculated on the basis of the audited Adjusted EBITDA<sup>1</sup> of the Division for the year ending 30 September 2025 ("the Performance Period") and would be payable by the Purchaser during the first calendar quarter of 2026.

The Variable Consideration is payable if the Division's Adjusted EBITDA for the Performance Period reaches a minimum threshold of £2.0 million and increases progressively for higher levels of Adjusted EBITDA up to a maximum threshold of £4.25 million. Variable Consideration of £0.2 million is payable at the minimum threshold rising to £1.5 million at the maximum threshold. In the event the maximum Variable Consideration of £1.5 million becomes payable, the total enterprise value for the Division would increase from the initial enterprise value of £6.2 million to the maximum receivable of £7.7 million.

#### **Financial Effect of the Sale**

The Sale will significantly strengthen the balance sheet of the Group. Following receipt of the £4.8 million cash proceeds at completion and allowing for repayment of the Term Loan of £1.0 million and payment of transaction fees and management incentives, the Group is expected to have a net cash balance of £2.3 million comprising a cash balance of approximately £2.9 million and debt balances of £0.6 million, which include finance lease liabilities of £0.3 million and right of use asset lease liabilities of £0.3 million.

For the financial year ended 30 September 2023, the last audited period prior to announcement of the Transaction, PMC reported revenue of £11.3 million, Adjusted EBITDA<sup>1</sup> of £0.1 million and loss before tax of £0.8 million. At 30 March 2024, PMC reported net assets of £2.2 million.

The Company has agreed with the Purchaser that it will provide management support to PMC during the Performance Period which will be partly funded by the Purchaser.

#### **Board Changes**

Steve Hammell, Chief Financial Officer, will step down from the Board and leave the Group on 31 October 2024. During his tenure, Steve has implemented significant improvements in the Group's financial controls and reporting and leaves the Group in a stronger financial position, having managed the PMC sale process to a successful conclusion. This executive management change by mutual agreement recognises the considerable reduction in the scale and complexity of Group operations following the sale of PMC. The Board is currently undertaking a review of its finance capability and resources to determine the appropriate and most cost effective structure moving forward.

The Board would like to thank Steve for his significant contribution to the Group over the last eighteen months and wishes him all the best for the future.

#### **Chris Walters, Chief Executive of Pressure Technologies plc, commented:**

*"We are delighted to announce the sale of PMC to Raghu Vamsi Machine Tools and look forward to seeing the continued progress of the business under its new ownership, where plans for strategic development and growth present exciting opportunities for the combined businesses, their global customers and their employees."*

*"The completion of this strategic divestment will allow us to focus our resources on the development and growth of Chesterfield Special Cylinders in defence and hydrogen energy markets and in the provision of through-life inspection, testing and recertification services over the medium and longer term."*

*"The initial enterprise value of £6.2 million provides good value for PMC at its underlying asset value, with the initial cash proceeds of £4.8 million substantially strengthening the balance sheet of the Group and enabling us to repay the Term Loan raised last year. In addition, we are also eligible to receive further consideration up to £1.5 million if PMC continues to perform well during its first year under new ownership."*

*As he steps down from the Board, I would like to thank Steve Hammell for his significant contribution to the Group over the past eighteen months and wish him all the best in the future."*

**Vamsi Vikas Ganesula, Managing Director of Raghu Vamsi Machine Tools, commented:**

*"We are delighted with the strategic acquisition of the PMC business from Pressure Technologies. The respected brands of Al-Met, Rooter Engineering and Martrac will complement our existing engineering businesses and deliver strong operational and commercial synergies as we continue to expand our international footprint.*

*We are very excited by the opportunities presented in the global oil and gas market with the blue chip customer base of PMC and will now work closely with our new colleagues in the UK to develop the long-term manufacturing capability and reach of our combined businesses."*

#### **Notes:**

1 Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation and other exceptional costs.

#### **Additional Information**

The person responsible for arranging release of this announcement on behalf of the Company is Steve Hammell, Chief Financial Officer.

#### **For further information, please contact:**

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#### **COMPANY DESCRIPTIONS**

[www.pressuretechnologies.com](http://www.pressuretechnologies.com)

Pressure Technologies plc is based in Sheffield and operates through its wholly subsidiary Chesterfield Special Cylinders ("CSC"). CSC is a market leading designer, manufacturer and provider of safety-critical, high-pressure containment products and services to a global customer base in the defence, hydrogen energy, oil & gas and industrial markets. For more information on CSC, please visit [www.chesterfieldcylinders.com](http://www.chesterfieldcylinders.com)

[www.raghuvamsi.com](http://www.raghuvamsi.com)

Raghu Vamsi Machine Tools Private Limited ("RVMT") is part of the Raghu Vamsi Group. Founded in 2004, the company and its subsidiaries design, develop and manufacture precision engineering components and subassemblies for global customers in aerospace, defence, oil and gas, medical and industrial markets.

RVMT's capabilities include CNC machining, engineering, sheet metal fabrication, composites manufacturing, electronics and electromechanical subassemblies, welding and specialised surface coatings.

Through its operations in India and the United States of America, the company exports and supplies to various global OEMs including Halliburton, Baker Hughes, Schlumberger, Boeing, GE Aviation, Honeywell, Rolls Royce, Collins Aerospace and many more.

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