

FLOWTECH

FLUIDPOWER PLC

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("Flowtech" or "Group" or "Company")

Acquisition of Triple Six Limited & Trading Update and Notice of Half-Year Results

LONDON: TUESDAY 2 AUGUST 2016: Specialist technical fluid power products supplier Flowtech Fluidpower plc (AIM: FLO), is pleased to announce the further strengthening of its product offering in the hydraulics sector through the acquisition of Triple Six Limited, and provide an update ahead of the release of the Company's Half-Year Results (for the period ended 30 June) which will be announced on Tuesday, 13 September 2016.

ACQUISITION OF TRIPLE SIX LIMITED ("TSL")

Based in Yorkshire, TSL is a specialist designer and distributor of several ranges of hydraulic cylinders and semi rotary actuators to a wide variety of industries including civil engineering, railways, nuclear and marine. TSL will trade as part of the Power Motion Control division (PMC) under the leadership of its MD Steve Rushworth. Steve established TSL in 2008, and has over forty years' knowledge of the hydraulics sector in the UK and Europe. The acquisition was completed on 29 July 2016.

For the year ended 31 December 2015, turnover was £1.2 million producing a profit before tax of £0.15 million. Net assets at the same date were £0.5 million.

Total consideration comprised £0.75m for the trading operation and a further £0.35 million for the net cash position held at completion, a total of £1.1 million. The consideration relating to the trading operation is to be satisfied as to £0.45 million in cash on completion with the balance being contingent on the operating profit performance of the business over the next two years.

Commenting, Sean Fennon, Chief Executive Officer, said:

"The acquisition of TSL continues the development of our PMC division and further enhances our offer to the power and motion control market. The acquisition again widens the customer sectors we serve. This is our third acquisition of 2016 and sixth overall since we came to market, and we are confident of further progress with our acquisition strategy before the end of the year."

TRADING UPDATE

Sales analysis: Group revenue by division is expected to be as follows:

Division	2016 H1	2015 H1	Growth
	£000	£000	
Flowtechnology	18,093	17,488	2.0%*
PMC	8,268	3,935	110.1%
Process	1,027	-	
Group total	27,388	21,423	27.8%

* After adjusting for like for like currency rates growth is 1.4%.

Highlights

- Revenue in the HY1 was solid at c.£27.4m reflecting growth across the Group (HY2015: £21.4m).
- Strong momentum within PMC and Process divisions.
- Integration of acquisitions in line with expectations underpinning our platform for future growth.
- Margins remain resilient across all divisions.
- Net debt c.£14.1m at 30 June 2016 - in line with expectations.
- Expanded customer profile into new end-user industries particularly in the MRO market.
- Investing for the future - additional cross divisional sales resource employed to focus & support the growing servicing of larger national customers.

Outlook

Flowtech remains confident in its ability to execute its proven strategy to develop in its technically specialised sectors in the UK and international markets. The Company is recognised as a highly technically skilled and resilient business operating in a fragmented fluid power distribution market. The Group operates in a “live” pricing environment and while input prices are expected to increase in H2 on the back of the sterling downgrade, the Board is confident that in a manner similar to other recent periods of negative sterling influence the Group will be able to maintain overall margins and cash generation.

In addition to organic sales growth there remains a number of opportunities to further enhance Flowtech’s multi-channel approach through; its investment in people and increased sales resource, the ongoing development of own-brand and OEM product offering, as well as through add-on earnings enhancing acquisitions.

The outcome of the EU referendum has caused concern across various markets with additional currency weakening of sterling against dollar and euro. Mid-year trading in distribution markets which the Flowtechnology division supplies has been more challenging and as a result the Board believes that the full year results will be marginally below market expectations.

The Board continue to view the future with a high degree of optimism that it can continue to deliver profitable growth while maintaining consistent high levels of service to our diverse customer base. We remain committed to a progressive dividend policy and we expect to declare an increase in the dividend payable for 2016 in line with our previously stated intentions.

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Editors’ note:

Flowtech Fluidpower plc, founded as Flowtech in 1983, is the UK’s leading specialist supplier of technical fluid power products with modern distribution facilities in the UK and Benelux. It offers an unrivalled range of Original Equipment Manufacturer (OEM) and Exclusive Brand products to over 3,600 distributors and resellers. Its catalogue is recognised as the definitive source for fluid power products, containing approximately 52,000 individual product line and is distributed to more than 85,000 industrial Maintenance, Repair and Overhaul end users (MRO). Over 80% of product is stocked and if ordered by 10pm, can be delivered next day in the UK, providing ‘best in industry’ service offering. The Group’s headquarters and main distribution centre is in Skelmersdale, Lancashire with further distribution centres in the Netherlands and China. The Power Motion Control Division (PMC) has operations in Merseyside, Northern Ireland and the Republic of Ireland.

The Group has a clear view of its growth objectives – to create a specialist fluid power organisation that remains focused on its core competencies whilst servicing the varied industrial and manufacturing sectors through its delivery of ‘class-leading’ service and support. Our long term growth model is based on both organic growth coupled with complementary acquisitions in a very fragmented marketplace.