

President Engineering Group



President Engineering Group is a manufacturer and distributor of niche engineering products. The business comprises three companies; Conflow, Bestobell Valves, and Bretby Gammatech. The Group has a manufacturing and distribution unit in Sheffield, a distribution unit in Pittsburgh USA, and a manufacturing unit in Ahmedabad, India.

The Group's activity forms four main strands: first, the manufacture of dust suppression and fire suppression equipment for underground coal mining; second is a small company that make ash monitoring systems for coal quality monitoring; the third strand is the manufacture of stainless steel and bronze valves for use in the world's land based industrial gas and liquefied natural gas (LNG) industries; and the final strand is the production of stainless steel valves for LNG marine applications, which include LNG cargo carriers, LNG fuel systems and offshore processing of LNG.

The business

- Manufacturer of niche branded engineering products
- Market leading brands in dust suppression for the mining industry and cryogenic valves for the industrial gas sector and Liquefied Natural Gas Industries
- Strong management team with considerable industry experience

The strategy

- To back the existing, proven management team in a sensibly priced 'old economy' business with strong brands and loyal customers
- Exploit organic sales growth opportunities, particularly in developing economies, invest in new product development

The developments

- Introduced an experienced independent Chairman
- Successfully separated operations from the parent company
- Developing the resurgent LNG shipbuilding market
- Acquired Bretby Gammatech in 2012, complementary business to Conflow & opening up new international sales territories for both
- Profits substantially ahead of the business plan in the 5 years since the MBO

In October 2010, YFM Equity Partners backed the management buyout of the Conflow and Bestobell Valves businesses from Flow Group and in November 2012 helped the team secure finance for the acquisition of Bretby Gammatech, a niche provider of coal monitoring products.

Since 2010, President Engineering Group has:

- Doubled their turnover from around £10mn to £20mn
- Increased the proportion of their business that comes from exports to over 90%
- Grown the marine side of the business from a turnover of around £500,000 to around £7.5mn
- Increased employment by around 20-30%

Interview with Mark Henley,
Managing Director
President Engineering Group Ltd

Could you talk a little bit about the countries that you do business in?

Well we do business basically wherever coal is mined, so predominantly North America, a bit in South America, Russia, Australia, a lot in China and all around Europe where there are still pockets of coal mining left. South Africa is a good market for us as well. That's on the

coal mining side. And then on the land based industrial gas and MNG valve side, we're fairly strong all over the world. Again, North America and China are big markets. All over Asia, lots of countries – Vietnam, Indonesia, Malaysia, we've got agents in most Asian countries.

On the marine side our strongest markets are wherever there are ships built, so that's China, Korea, soon to be Japan. And then on the marine fuel side, that's driven by a lot of legislation around emissions of ships in onshore areas, so coastal waters in the US

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President Engineering Group



President Engineering Group (CONTINUED)

and Europe that you must have a certain level of emissions to meet what they call MARPOL Annex VI. There are a lot of people at the moment building marine propulsion systems that run on Liquefied Natural Gas because the emissions are a lot lower. That's a relatively new market and it's going to be a big market for President Engineering.

Has the scope of your international presence changed since 2010?

Yes, it's much more export-oriented, especially with the closure of mining in the UK. More of our emphasis is on exports, and our business has almost doubled in the last five years. A lot of that growth is to do with the marine side of the business so it's moved the emphasis more towards exports. I'd say in 2010 we were about 80% exports and now we're 92% exports.

YFM Equity Partners provided backing for your management buyout in 2010, is that right?

That's right, in October. When we were looking for investment and were going round the various banks, 2010 was not a good time to be asking them for money. They'd forgotten what they were there for. We could only get one bank to support us, and even they were nervous.

Our business plan was conservative we thought, it was a robust plan, but I think their words were 'it's too good to be true, we want somebody with bigger pockets on board,' and hence we were introduced to YFM Equity Partners. They had good experience in the manufacturing sector and we liked the team, so they helped finance our management buyout (MBO).

Have YFM Equity Partners been a driver behind a changing strategy at all?

YFM Equity Partners enable us to get on with the day to day running of the business. Although a minority investor, they attend our monthly board meetings and input at the board level. One of the benefits they have brought to us is their access to expert non-executive board members. They introduced us to our chairman who is experienced in the oil and gas industry, and he's really helped us grow our business.

And have they helped in terms of investment into R&D and other capacities?

We've definitely had to invest in R&D since 2010. The previous owners used this site and the products made on it as a bit of a cash cow to finance other developments within their group, hence the MBO. We could see opportunities, especially with more up to date equipment, so we've invested quite heavily in new computer numerically controlled equipment here, and also our IT infrastructure as well, to be able to better respond to enquiries and pass information on products and supply chains through the company.

We are focused on all of our markets but a lot of the R&D activities and expansion here recently has been on the marine side of things. The price of coal has dropped through the floor over the last 12 months so there's not a lot of investment in the mining side of our business at the moment, but any slack currently has been taken up by the marine side. The coal business will come back and I think when that comes back we have a plan over the next three years to get to £30m in turnover.