

ACQUISITION OF SPENCER AEROSPACE

Significant advancement in Senior's strategic
focus on fluid conveyance technology



SPENCER AEROSPACE
MANUFACTURING

The logo for Senior, featuring the word 'senior' in a lowercase, blue, sans-serif font. The letter 'o' is stylized with three concentric circles around it. The logo is positioned on a white, rounded rectangular background.

senior

FLUID CONVEYANCE ACQUISITION – SPENCER AEROSPACE

Spencer Aerospace designs and manufactures high-pressure hydraulic fluid fittings for use in commercial and military aerospace applications.

- Owner managed business founded in 2013, located in Valencia, CA, USA with approx. 50 employees
- Use of these highly engineered fluid fittings on aircraft requires them to be either on a Qualified Parts List (QPL), and/or have specific customer approval
- Growing contracted business with NA OEM and Tier 1 customers
- Meaningful opportunities to win additional OE and aftermarket business from customers with whom Senior has existing strong relationships
- Combination benefits will open potential opportunities in adjacent markets such as hydrogen infrastructure and fluid handling in medium term
- Synergistic engineering and manufacturing capabilities will help accelerate product qualifications and revenue growth
- Experienced existing leadership team will continue to run the business and will benefit from continued investment by Senior in engineering and manufacturing capabilities at Valencia, CA facility.



AXIAL SWAGED titanium fittings designed for hydraulic and pneumatic titanium and stainless-steel tube connections at operating pressures ranging from 1,500 to 5,080 psi (103 to 350 bar).

Significant advancement in Senior's strategic focus on fluid conveyance technology, adding new highly engineered product capabilities to the Aerospace Division

AEROSPACE FITTINGS



Beam Seal
MIL-F-85421 & MIL-F-85720



Orbital Weld
AS5176, BPS-F-125



Port Lok / Rosan
AS4459

Materials
titanium &
stainless-steel

Applications
hydraulic, fuel,
pneumatic tube
connections

Operation
1,500-5,000+ psi



Axial Swage
AS5958



Flared



Flareless
AS18280 / AS1576



Flareless Joints

High barriers to entry: sub-tier specifications control every aspect of the part including pressure rating, material, machined finish quality, inspection, protective finishes, packaging, qualification

FLUID CONVEYANCE ACQUISITION – SPENCER AEROSPACE

- Cash consideration for substantially all assets of business (debt free):
 - \$30m payable on completion; \$30m payable 1 year post completion
 - Earnout of up to further \$40m dependent on growth performance by the end of 2026; final milestone dependent on annual revenue reaching \$40m (representing > 300% growth vs. 2022 F'cast)
 - Benefits of approximately \$13m future tax relief
- The acquisition will be funded using the Group's existing borrowing facilities
- Year to 31 December 2021: Revenue \$5.9m; EBITDA loss \$(1.9)m
- Year to 31 December 2022 F'cast: Revenue of at least \$12m; EBITDA of approx. \$1m
- Expect strong profitable growth as revenue accelerates
- The acquisition is expected to:
 - Be accretive to adjusted earnings per share⁽¹⁾ enhancing in the first full year of ownership;
 - Generate returns in excess of cost of capital in 3rd year of ownership.



(1) Adjusted earnings per share, as defined in Senior's Annual Report & Accounts 2021, is stated before amortisation of intangible assets from acquisitions, restructuring income/costs, corporate undertakings costs, net of associated tax and before exceptional non-cash tax.

An important step in our strategy to optimise our portfolio and maximise value for shareholders

SENIOR'S FLUID FITTINGS & COUPLINGS PORTFOLIO

- Senior's existing Fittings & Couplings portfolio supports a wide array of fluid conveyance and thermal management applications including:
 - Machined end fittings for tubing/ducting/valves
 - Flexible Couplings, Ball Joints / Gimbals, Bellows Couplings
- Acquisition of Spencer complements our existing portfolio
 - Improves growth prospects by enabling Senior to provide higher level assemblies and sub-systems
 - Supports penetration into adjacent market applications - e.g., hydrogen fittings for power and infrastructure applications
 - Expands Senior's fittings & couplings markets in North America, Europe & ROW for both OEMs & distributors

Hydraulic fittings acquisition is very complementary to existing portfolio



Bellows Couplings



Flexible Joints/Couplings



Engine Fuel Tube Assy



Single-aisle Bypass Duct Assembly



Combined offering provides better market reach and accelerates growth opportunities