

Released : 19/10/2017

RNS Number : 0206U

Plexus Holdings Plc

19 October 2017

Plexus Holdings PLC / Index: AIM / Epic: POS / Sector: Oil Equipment &amp; Services

**The information contained within this announcement is deemed by the Company to constitute inside information under the Market Abuse Regulation (EU) No. 596/2014.**

**Plexus Holdings PLC ("Plexus" or "the Company")****Sale of Wellhead Exploration for Jack-Up Applications Business to TechnipFMC and Circular re: General Meeting**

Plexus Holdings PLC, the AIM quoted oil and gas engineering services business and owner of the proprietary POS-GRIP® friction-grip method of wellhead engineering, is pleased to announce the sale of its wellhead exploration equipment and services business for Jack-Up applications (the "Jack-up Business") to FMC Technologies Limited ("TFMC"), a subsidiary of TechnipFMC (Paris:FTI)(NYSE:FTI) one of the leading oil & gas service and equipment companies (the "Disposal"). In addition and as part of the Transaction, Plexus, Plexus' subsidiary POSL and TFMC will also be entering into a Collaboration Agreement ("CA") which establishes a framework to work together both on the development of existing POS-GRIP IP for applications outside of jack-up exploration, as well as future new technologies.

The Disposal follows the signing of a conditional Business Purchase Agreement ("BPA") by Plexus, POSL and TFMC. Under the terms of the BPA, the Plexus Group will receive an initial gross cash consideration of £15,000,000, subject to certain adjustments, with an additional sum of up to £27,500,000 payable dependent on the future performance of the Jack-up Business during a three-year earn-out period. The earn-out has the potential to increase the total cash consideration to £42,500,000.

The Disposal is in line with Plexus' strategy of increasing industry awareness of its POS-GRIP friction grip technology by initially focusing on proving the superior qualities of its equipment within the jack-up wellhead exploration market, where to date its technology has been deployed on hundreds of wells worldwide, before targeting other markets such as surface production, subsea and de-commissioning. The Board of Plexus believes that the Disposal represents a significant milestone for the Company as it demonstrates the attractiveness of POS-GRIP technology.

To facilitate a smooth transition of the Jack-up Business, the parties will enter into a Transitional Services Agreement through which the Plexus Group will provide certain services to TFMC on a transitional basis. At the same time, Plexus and TFMC have also agreed to enter into two Licence Agreements, one royalty free and the other royalty bearing, which deliver to TFMC the necessary IP which is held by the Company and which relates to the Jack-up Business.

**Circular re: General Meeting**

Pursuant to Rule 15 of the AIM Rules, the Disposal is deemed to constitute a disposal resulting in a fundamental change of business, and is therefore conditional on the consent of Shareholders being obtained at a General Meeting. The Company will shortly post a circular ("Circular") and Notice of General Meeting ("GM") to all shareholders. An extract of the Circular appears below.

**Plexus' CEO Ben Van Bilderbeek, said:***"I am pleased to announce this important transaction with TechnipFMC, one of the world's foremost oil and gas service companies. I believe that the Disposal and Collaboration Agreement with TechnipFMC opens up new opportunities for our technology. TechnipFMC is acquiring a business which has supplied a wide range of blue chip operators of the calibre of BP, Centrica, ENI, Maersk, Royal Dutch Shell, Statoil, and Total with wellheads for use on hundreds of wells worldwide and which already has a strong market reputation in the UKCS and ECS, particularly for HP/HT applications. Going forward there are numerous opportunities for the application of POS-GRIP technology and encouragingly, as the recent contract win from Centrica for the supply of surface production application equipment demonstrates, we are already making progress in this regard.*

*"We look forward to working closely with TechnipFMC to ensure the earn-out period is as successful as possible for*

both companies and also under the Collaboration Agreement with the potential to further develop our existing POS-GRIP IP for applications outside of the Jack Up exploration business. I will be working hard as CEO of Plexus with my team to grow the business and repeat the past success we have enjoyed in raising standards for HP/HT exploration wellheads in the wider energy sector, as well as focusing on generating shareholder value."

**TechnipFMC's President of Surface Technologies business Richard Alabaster, said:** "I am very pleased that we have reached this agreement, which fits within TechnipFMC Surface Technologies' strategy to extend and strengthen our position in exploration-drilling products and services while leveraging our global field presence. It also enhances TechnipFMC's capability in HP/HT applications."

**\*\*ENDS\*\***

**For further information please visit [www.posgrip.com](http://www.posgrip.com) or contact:**

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## **Proposed Disposal of Plexus' Jack-up Exploration Drilling Equipment and Services Business and Notice of General Meeting**

### **1. INTRODUCTION**

The Company has agreed the sale of its wellhead exploration equipment and services business for Jack-up applications (the "Jack-up Business") to FMC Technologies Limited ("TFMC"), a subsidiary of TechnipFMC one of the leading oil & gas service and equipment companies in the world with a market capitalisation of approximately US\$12.5 billion (Paris:FTI) (NYSE:FTI). This follows the signing of a Business Purchase Agreement by Plexus, Plexus subsidiary POSL and TFMC. Under the terms of the BPA, on Completion, the Plexus Group will receive an initial gross cash consideration of £15,000,000, subject to certain adjustments, with an additional sum of up to £27,500,000 payable dependent on the future performance of the Jack-up Business during a three-year earn-out period. The earn-out, which has the potential to increase the total cash consideration to £42,500,000, allows Plexus to benefit from any growth in activity in the jack-up exploration market during the period, as well as TFMC's extensive global presence.

The Disposal of the Jack-up Business is in line with Plexus' strategy to increase industry awareness of its POS-GRIP friction grip technology by initially focusing on proving the superior qualities of its equipment in the jack-up exploration market, where to date its technology has been deployed on hundreds of wells worldwide, before targeting other markets such as surface production wellheads, subsea wellheads and de-commissioning. The Board of Plexus believes that the Disposal represents a significant milestone for the Company as it demonstrates the attractiveness of POS-GRIP technology. Following Completion, Plexus will focus on establishing its technology and equipment in other markets, and in this regard the Board believes that the recent announcement of a contract with Centrica for the supply of surface production application equipment is particularly encouraging.

In line with this objective and as part of the Transaction, Plexus and TFMC will also be entering into a Collaboration Agreement which establishes a framework to work together both on the development of existing POS-GRIP IP for applications outside of jack-up exploration, as well as on future new technologies. The Collaboration Agreement provides for the formation of a joint steering committee comprising representatives of Plexus and TFMC, who will be able to explore potential areas of future collaboration. This proposed future collaboration will therefore provide a platform from which the Company can seek to further develop and commercialise its POS-GRIP technology across a range of other applications.

At the same time Plexus and TFMC have agreed to enter into two Licence Agreements, one royalty free and the other royalty bearing, which deliver to TFMC the necessary IP which is held by the Company and which relates to the divested Jack-up Business.

To facilitate a smooth transition of the Jack-up Business, the parties will be entering into a Transitional Services Agreement through which the Plexus Group will provide certain services to TFMC on a transitional basis. TFMC will also enter into a sub-lease on one of the two main Plexus buildings in Aberdeen.

As the Jack-up Business accounted for approximately 99.7 per cent. of the Company's total revenues in the year ended 30 June 2016, pursuant to Rule 15 of the AIM Rules, the Disposal is deemed to constitute a disposal resulting in a fundamental change of business, and is therefore conditional on the consent of Shareholders being obtained at the General Meeting.

The purpose of the Circular is to provide Shareholders with further information on the Transaction, the Resolution, details of the Company's ongoing business and strategy, and the reasons why the Directors consider that the Transaction is in the best interests of the Company and its Shareholders as a whole.

The Directors unanimously recommend that shareholders vote in favour of the Resolution to be proposed at the General Meeting.

## **2. BACKGROUND TO AND REASONS FOR THE TRANSACTION**

### ***Introduction***

AIM-traded oil and gas engineering services company Plexus has developed a range of products and applications based on its patent-protected POS-GRIP friction-grip method of wellhead engineering. Included among these are the Company's POS-GRIP friction-grip exploration wellhead equipment and associated tooling. Up until now, the Company's core business has been the rental of this equipment to major oil and gas operators for use on jack-up exploration wells around the world, particularly for High Pressure/High Temperature ("HP/HT") applications. To date, Plexus wellheads have been used on hundreds of wells operated by a customer base, which includes blue-chip customers such as BP, Centrica, Maersk, Royal Dutch Shell, Statoil, and Total.

### ***IP-led***

Since it was established, Plexus has focused on being an innovative, IP-led company built around its proprietary POS-GRIP technology. POS-GRIP was designed to address a number of limitations associated with conventional wellhead technology particularly in terms of metal sealing, and has subsequently raised standards for HP/HT wellhead applications. POS-GRIP enables Plexus to provide operators with superior solutions, offering unique safety and operational advantages, while at the same time delivering significant time and cost savings on the surface and, the Board anticipates, in due course and even more significantly, subsea. Thanks to POS-GRIP, Plexus has successfully raised wellhead test standards to equal or exceed those of premium couplings and there are numerous applications and products which the Board believes could benefit from the POS-GRIP method of engineering now and in the future.

The Company has invested in research & development and IP development in a wide range of areas and applications outside jack-up exploration, including surface production and subsea wellhead equipment, as well as proprietary connector technology. This suite of new products and applications has grown significantly and now, following a Joint Industry Project, includes: the Python™ Subsea Wellhead (a new standard for subsea wellheads - supported by BG, Royal Dutch Shell, Wintershall, Maersk, Total, Tullow Oil, eni, Senergy, and Oil States Industries Inc); the development and launch of the POS-SET™ Connector ('POS-SET') product for the growing de-commissioning and abandonment market; development of HP/HT dual marine barrier risers to provide an efficient, safe and cost effective solution for use on jack-up rigs; an innovative HP/HT Tie-Back connector product; and a new Well Tree product.

### ***Strategy: initial focus on jack-up exploration before wider roll-out***

Plexus found the oil & gas sector to be resistant to new technology and experienced push back from industry participants at the early stage of introducing POS-GRIP technology. As a consequence, Plexus took the decision to initially apply POS-GRIP technology to jack-up exploration drilling, in order to showcase and prove the technology and obtain industry acceptance, before developing and commercialising a wider range of products based on its POS-GRIP technology. The dynamics of exploration drilling enabled the Company to avoid the relatively high and often fixed costs of becoming a manufacturer, allowing Plexus to build a wellhead inventory which could be rented out to customers on a temporary basis for use on exploration drilling projects.

The Company established its position in the UKCS and ECS and became a provider of jack-up exploration drilling equipment and services, particularly for HP/HT applications. Notably, Plexus was awarded last year a £3.3m contract from Total offshore Norway for an Ultra-HP/HT exploration well called Solaris, which is believed to be one of the highest pressure wells ever drilled in the North Sea. The technical success in the North Sea has enabled Plexus to demonstrate and prove the superior qualities of its POS-GRIP technology to the wider industry.

In the period from 2005 to 2015, Plexus expanded its focus with contracts extending to Asia, Australia, China, Egypt, Middle East, Russia, and West Africa from the UKCS and in the process became a supplier to a wide customer base, including blue-chip customers. An Asian business hub was established to increase the supply of POS-GRIP wellhead equipment and services to the Australian, Brunei, Indonesian, Malaysian, Thai, and Singaporean oil and gas exploration and production markets. Strategic licence agreements were pursued, including in 2016 with Gusar, and Konar, two independent Russian oil and gas equipment manufacturers, for the rental, manufacture and servicing of Plexus' jack-up drilling wellhead exploration equipment into the Russian Federation and the other CIS states' oil and gas markets. The Company's international expansion contributed to record revenue, EBITDA, profit before tax and profit after tax being generated in the year to June 2015.

The Company's strong performance at that time was delivered despite the onset of significant challenges to the oil and gas sector, culminating in 2015 with a significant fall in the oil price from circa US\$120 to US\$30. As has been well documented, the sector-wide decline has continued, resulting in a sharp decline in exploration drilling activity and a dramatic reduction in capex spending across the industry. Notwithstanding this, Plexus continued to pursue its objective of developing the Company into a leading international wellhead engineering company supplying the best in class and safest wellhead equipment across exploration, production and subsea arenas, utilising its proprietary patented POS-GRIP method of engineering. Even during challenging trading conditions new customers in new territories were secured.

#### ***Favourable long terms trends***

The Directors believe that long term trends within the wider oil and gas industry provide a favourable backdrop for the Company's strategy, specifically the increasing importance of gas in the hydrocarbon energy mix due to its increased accessibility and certain environmental benefits when compared to dirtier fossil fuels, such as coal and oil. For targeted reductions of CO2 emissions to be met across the globe, it is widely believed a move from dirtier fossil fuels such as coal to cleaner hydrocarbons is required. According to the BP Energy Outlook 2017, gas is the fastest growing fuel, with its share in primary energy increasing as it overtakes coal to be the second-largest fuel source by 2035 and supplies of LNG are on course to increase by 50 per cent. between 2014 and 2021. Plexus is well placed to capitalise on these trends as it believes it has the best metal to metal sealing system technology available for gas and as a result its equipment is ideally suited to the high pressures and high temperatures associated with such wells. This was demonstrated by the previously mentioned £3.3m contract from Total E&P Norge AS to supply the Solaris exploration well, a technically challenging Ultra HP/HT well offshore Norway.

#### ***Reasons for the Transaction***

The growing awareness and recognition of the advantages of POS-GRIP technology, in particular for exploration wellheads, has resulted in ongoing interest and support for POS-GRIP technology from the oil & gas industry. Plexus has always worked collaboratively with the industry to convey the benefits of its technology and this approach has facilitated a relationship with TFMC which, following an extended period of due diligence, has culminated in the proposed Transaction.

In light of the significant challenges currently facing the oil & gas sector, the Board has carefully considered the timing of the Transaction and has concluded that, whilst the Company could choose to wait for the exploration sector to return to previous activity levels before redeploying its existing wellhead inventory, the timing of a recovery is uncertain. In May 2017, the Company announced that the challenging trading conditions in the sector, which have had a material impact on the performance of Plexus' core business of renting its proprietary exploration wellhead equipment, had continued in the second half of the last financial year ending June 2017. While a number of specific opportunities were being pursued in the North Sea and overseas, some of these were taking longer than anticipated to conclude as operators continue to show caution when committing to new capex and projects. It is therefore taking longer than expected to deliver on Plexus' strategy to materially expand into major markets beyond the UKCS.

The Directors believe that to conclude the Transaction at this time is advantageous to Plexus for a number of reasons. TFMC is recognised as one of the leading oil & gas service and equipment companies in the world and the Board strongly believes that TFMC will be able to use its global reach and infrastructure to grow the Jack-Up Business effectively. The Transaction also facilitates an ongoing collaboration with TFMC through the establishment of a joint steering committee that will be set up in the context of a Collaboration Agreement, which the Board believes will have the potential to enable Plexus to unlock further value of its proprietary POS-GRIP technology for the benefit of all Shareholders.

The Board of Plexus believes that to have now reached a point where the Transaction can be concluded is a significant milestone for the Company. Acceptance by the industry of the Company's POS-GRIP technology was the original strategic objective of building up the Jack-up Business and to that end it has delivered.

Under the terms of the Transaction, a three year earn-out period will provide Plexus with both earn-out revenues from the Jack-up Business and time to actively pursue additional opportunities with new and existing product lines, either on its own or with partners. The Royalty Licence will provide Plexus with an additional revenue stream based on the net sales prices of the specified M2S Crossover Production and completion equipment and the Tersus-PCT Riser Tieback equipment.

Whilst the Board anticipates that lower levels of activity in the oil and gas sector will continue, and that the timing of a recovery is difficult to predict, it is encouraging for the earn-out mechanism that there are clear signs of an improvement in exploration activity levels during the current financial year.

### 3. EFFECT OF THE TRANSACTION

#### *Financial impact of the Transaction*

The table below summarises the financial impact of the Transaction on the Company.

	<b>PLC</b>	<b>Jack-up Business</b>
	<b>£'000</b>	<b>£'000</b>
Revenues*	11,227	11,193
Profits/(Loss)*	(6,915)	(1,415)
Revenues**	3,770	3,766
Profits/(Loss)**	(2,451)	(535)
Total assets***	44,635	14,971

\* for the 12 month period to 30 June 2016

\*\* for the 6 month period to 31 December 2016

\*\*\* as at 31 December 2016

#### **Information on the Jack-up Business**

The Jack-up Business proposed to be disposed of comprises the jack-up exploration drilling equipment and services rental business carried on by Plexus at the date of Completion. TFMC will acquire the right to use on an exclusive basis the proprietary POS-GRIP friction grip method of engineering in relation to jack-up exploration drilling, but excluding certain territories and business/product lines, as set out below.

<b>Key Product Lines</b>	<b>Application/Exclusions</b>
POS-GRIP Exploration Wellhead Systems	Surface wellhead systems for jack-up exploration and appraisal drilling.  Plexus retains the right to this right to use this product line in Russia and CIS, and Malaysia.
Tersus™ Mudline Suspension Systems and all related assets	Conventional mudline suspension system range formally referred to as "TRT-S".  Plexus has retained the non-exclusive right to use this product line for all applications other than jack-up exploration
Lockring type riser and Conductor connectors	Frelok type or lock ring type riser and conductor connectors within the surface wellhead products.  Plexus has retained the non-exclusive right to use this product line for all applications other than jack-up exploration
M2S Conductor Housings	Product for converting a Tersus mudline suspension system into a subsea well.  The Transaction provides TFMC with an exclusive licence to use this product line in jack-up exploration drilling applications, and a non-exclusive licence to use this product line in other energy applications.
PCT MLS Hanger Mandrel	Product which uses POS-GRIP for enabling mudline tieback  The Transaction provides TFMC with an exclusive licence to use this product line in jack-up exploration drilling applications, and a non-exclusive licence to use this product line in the field of energy applications other than in other energy applications.

### 4. ONGOING STRATEGY FOR THE COMPANY

The Company is proprietary technology driven and its extensive patent protected IP and know-how has been successfully deployed in hundreds of wells around the world. Its superior performance, safety and operational advantages have given it an enviable position in the niche jack-up exploration market, and the Directors believe that this success could be extended to the wider energy sector including production, subsea, geothermal and fracking applications based on its POS-GRIP

technology.

In line with this, the Company announced last month that it had been awarded a contract with Centrica North Sea Limited to supply its POS-GRIP "HG" 10,000psi adjustable production wellhead for a gas production well in the UK Southern North Sea. Plexus had previously supplied Centrica with equipment for a number of exploration wells in the North Sea. This was particularly encouraging for the Company, as production wellheads are required for the entire field life, and the size of the market for production wellheads is many times that of jack-up exploration.

Outside of the Jack-Up Business, Plexus will continue to target international customers in other territories including Gulf of Mexico, India, Middle East and Russia, where it is thought there will be opportunities due to ongoing and planned drilling activity. The recent award of an exploration contract with new customer Rosneft Vietnam, a subsidiary of leading Russian oil and gas company, Rosneft is anticipated to help raise the profile of Plexus with Rosneft and other operators in Russia (which is a territory that Plexus has retained the rights to). Furthermore, the Board believes that OPEC and non-OPEC producers will want to see a return to stability and a higher oil price that can support necessary investment and planned capex, which should create additional opportunities for Plexus worldwide.

Being IP-led, Plexus does not have to support significant manufacturing operations. The Company remains in a robust financial position, with reduced capital spending commitments alongside a strong cash position and debt free balance sheet following the implementation of cash conservation measures over the last 24 months including a series of cost cutting initiatives. Despite this Plexus has continued to protect and progress the existing range of future opportunities, including continued investment in on-going research & development and POS-GRIP product extensions at a time when the industry continues to actively pursue innovative cost saving disciplines and safety driven technologies. The Company is continuously developing new technology and even when earlier patents expire the Company has an extensive body of knowledge and know-how.

The Directors will remain with the Company and a team with experience across all functions of the existing business, from engineering, research & development, technicians, quality control, HSE, project management, procurement will be retained and will enable the remaining operations to continue following completion of the Transaction and the transfer of relevant Jack-Up Business personnel from Plexus to TFMC.

The focus of the business following Completion will be:

*1. Continued operation of remaining business, contracts and products*

The Company will continue to focus on current projects which are not part of the Transaction, and will pursue the development of opportunities with existing products such as POS-GRIP "HG" production wellheads.

*2. Maximisation of Earn-out from the Jack-Up Business*

The Company intends to prioritise the maximisation of earn-out revenues from the Jack-Up Business through the provision of, inter alia, sales and technical support to TFMC.

*3. Work with TFMC through the scope of the Collaboration Agreement and the joint steering committee on key POS-GRIP products*

The Company and TFMC have reviewed certain topics that can be suited for joint work under the Collaboration Agreement. Should discussions progress this could lead to further commercial IP led opportunities.

*4. Design/Development of new and existing POS-GRIP products/applications*

The Company has identified a number of products and applications which it believes would benefit from the integration of POS-GRIP technology. The Company intends to selectively apply its resources to capitalise on these opportunities, examples of which include:

- Existing applications of POS-GRIP "HG" Wellheads, such as HP/HT Production Wellheads and Adjustable Production Wellheads
- New applications of POS-GRIP "HG" Wellheads and other IP, such as land wellheads, fracking heads, geothermal systems and well abandonment and decommissioning
- Existing applications for the Python subsea wellheads system, such as Deepwater exploration drilling, and HP/HT production
- Further developments around the Python subsea system, such as Annulus Access capability and subsea Xmas Trees.

## 5. Research & Development

Plexus has always been an innovative IP-led business and the Board intends to devote appropriate resources to continue its ongoing innovative and proprietary technology driven approach.

### 5. USE OF PROCEEDS

Following completion, the Plexus Group will receive an initial payment of £15,000,000, subject to a number of adjustments described in paragraph 7 below including a deduction for expected refurbishment costs of £835,656, which along with the Plexus Group's existing cash resources of circa £7,000,000, will fund the following activities of the Plexus Group:

- commercialisation of existing and new products and technologies;
- working capital to fund new growth phase;
- expansion of engineering capabilities; and
- on-going Research & Development.

In addition to the above, the Board intends to assess the on-going capital requirements of the business and if appropriate may consider paying a proportion of the proceeds to Shareholders by way of a special dividend. The Board expects to reach a decision on this within six months of Completion and a further update will be made in due course.

### 6. INFORMATION ON TFMC

TechnipFMC is a global leader in subsea, onshore/offshore, and surface projects. With its proprietary technologies and production systems, integrated expertise, and comprehensive solutions, it is transforming its clients' project economics. TechnipFMC is uniquely positioned to deliver greater efficiency across project lifecycles from concept to project delivery and beyond. Through innovative technologies and improved efficiencies, its offering unlocks new possibilities for its clients in developing their oil and gas resources. Dual-listed on NTSE and Paris, with a market capitalisation of approximately US\$12.5 billion, TFMC currently employs more than 40,000 employees around the globe.

### 7. SUMMARY OF THE KEY TERMS OF THE TRANSACTION

#### ***Business Purchase Agreement***

Pursuant to the BPA, the Company and POSL are proposing to sell the business and assets to TFMC which primarily relate to the Jack-up Business. The assets to be transferred to TFMC as part of the Transaction include certain business contracts, employees, working capital, raw materials and rental stock which relate to the jack-up exploration business. Intellectual property will be licenced to TFMC pursuant to the Royalty Licence and the Royalty Free Licence as detailed below.

The completion of the BPA is conditional on a number of conditions being satisfied or waived between exchange and the long stop date of 6 months after the date of exchange, such conditions including: (i) the Shareholders at the General Meeting passing the Resolution; and (ii) receipt by the Company or POSL of novation agreements in respect of key business contracts identified by TFMC. These rights may be waived in the event that they are not satisfied. The BPA includes termination rights in the event of a material adverse change in the Jack-Up Business between exchange and Completion which is limited to events with an aggregated estimated cost to the Jack-Up Business of at least £1,000,000 and in the event of a breach of warranty or other breach of the BPA having a value in excess of £300,000.

The total consideration (which includes the earn out component) for the sale of the Jack-up Business, prior to agreed deductions, will not exceed £42,500,000, of which £15,000,000 is payable by TFMC at Completion, subject to a number of adjustments (which include an excess or shortfall not exceeding £100,000 in normalised level of working capital (agreed to be £400,000) and adjustments to value of any missing or defective stock, raw material and plant and equipment and a deduction for expected refurbishment costs of £835,656).

From Completion, the Plexus Group will be entitled to earn-out payments as set out below less further established refurbishment costs (currently estimated to be in the region of £1,600,000).

Year One	Year Two	Year Three

33% of the Rental Revenue for Year One	33% of the Rental Revenue for Year Two	33% of the Rental Revenue for Year Three
33% of Sales Revenue from POS-GRIP Exploration Wellhead Systems and 10% of other Sales Revenue from Year One	33% of Sales Revenue from POS-GRIP Exploration Wellhead Systems and 10% of other Sales Revenue from Year Two	33% of Sales Revenue from POS-GRIP Exploration Wellhead Systems and 10% of other Sales Revenue from Year Three

The Company and POSL have provided TFMC with customary business warranties subject to financial and other limitations customary for a transaction of this size and nature.

Plexus and POSL are subject to various restrictive covenants for a period of 3 years from completion to not compete with TFMC in the jack-up exploration sector (other than in relation to its existing arrangements in Russia and Malaysia). The covenants do not prevent the Company or POSL from using the technology being licenced to TFMC in any other application except that of the jack-up exploration business.

***Royalty Free Licence***

The Company will grant to TFMC on the date of Completion: (i) a royalty free exclusive licence to use the technology, trademarks and know-how required to manufacture and supply products including, but not limited to the POS-GRIP method of engineering in jack-up exploration drilling applications, and (ii) a royalty free exclusive licence to use the technology, trademarks and know-how required to manufacture and supply certain products (but excluding the POS-GRIP method of engineering) in other energy applications.

The Company may itself use, or grant a licence to a third party licensee to use, the technology that is being licenced to TFMC on a non-exclusive basis, provided such use or licence is outside of the jack-up exploration sector. The Company has no rights of termination in respect of the Royalty Free Licence.

***Royalty Licence***

The Company will also grant to TFMC on the date of Completion: (i) an exclusive royalty-bearing licence to use the technology, trademarks and know-how required to manufacture and supply products including, but not limited to the M2S Crossover Production and completion equipment intellectual property and the Tersus-PCT Riser Tieback equipment intellectual property, in jack-up exploration drilling applications, and (ii) a non-exclusive licence to use the technology, trademarks and know-how required to manufacture and supply products including, but not limited to the M2S Crossover Production and completion equipment intellectual property and the Tersus-PCT Riser Tieback equipment intellectual property, in other energy applications.

The Company may itself continue to use, or grant a licence to a third party licensee to use, the technology that is being licenced to TFMC on a non-exclusive basis, provided such use or licence is outside of the jack-up exploration business.

The royalties payable by TFMC to the Company will be 10% of the net sales price in respect of the M2S Crossover Production and completion equipment (and any modifications thereof) that incorporate the M2S Crossover Production and completion equipment intellectual property and 15% of the net sales price in respect of the Tersus-PCT Riser Tieback Equipment (and any modifications thereof) that incorporate the Tersus-PCT Riser Tieback equipment intellectual property.

The Company may terminate the Royalty Licence in a number of circumstances including if (i) TFMC or any of its affiliates commits a material breach of the confidentiality provision in the Royalty Licence in respect of the licenced know-how or any other confidential information relating to the Company; or (ii) TFMC challenges or disputes the validity or ownership of the Company's IP by opposing (or assisting any third party to oppose) the grant of a patent or registered design application of the Company or issuing court proceedings to challenge the validity of any patent or any registered design of the Company.

***Collaboration Agreement***

The Company and POSL and TFMC will enter into a Collaboration Agreement on Completion which focuses on future research and development collaborations between the parties with the objective of finding new and revolutionary ways in which to apply alternative technologies to make petroleum and gas equipment safer and more efficient. The Company anticipates that the Collaboration Agreement will help identify where current technology is reaching its limitations and is no longer able to manage the increasing challenges found in the sector. The Company has introduced friction grip technology to the oilfield and applied this in ways that have significant potential for reducing risk and cost. By working in conjunction with TFMC, the Collaboration Agreement will help to identify other spaces where the application of this



technology can lead to similar improvements.

The Collaboration Agreement will continue for an initial term of five years and thereafter, shall be automatically renewed without limit of period unless terminated by either the Company or TFMC giving no less than six months' notice. The Collaboration Agreement can be terminated by either party if the other party materially breaches the Collaboration Agreement, the BPA, the Royalty Free Licence or the Royalty Licence or, if the other party is subject to an insolvency procedure.

#### ***Transitional Services Agreement***

The Company and POSL, pursuant to the TSA, have agreed, subject to Completion, to provide certain services on a transitional basis to TFMC and TFMC has agreed to provide certain services to the Company. The TSA will commence on the date of Completion and will continue until the earlier of (i) the longest period of time for which a service is to be provided (as specified in the TSA) or (ii) the third anniversary of Completion, subject to an extension period of 6 months to the periods set out in (i) and (ii) as agreed between the parties.

Following the first anniversary of the date of Completion, TFMC may opt to terminate the TSA, and any service provided by Plexus, upon giving Plexus six months written notice of its intention to do so. Either party may terminate the TSA if the other party fails to make payment due under the terms of the TSA or if the other party becomes insolvent, commits a material breach of the TSA which is not remedied, is subject to a change in control.

#### **8. IRREVOCABLES**

The Company has received irrevocable undertakings from Mutual Holdings Limited, an entity in which Jeffrey Thrall and Ben van Bilderbeek are interested, and from OFM Investment Limited, an entity in which Ben van Bilderbeek is interested, to vote in favour of the Resolution in respect of their respective entire holdings of Ordinary Shares representing, in aggregate, approximately 54.8 per cent. of the Company's issued share capital. When aggregated with the other beneficial holdings of the Directors (which represent 1.8 per cent. of the Ordinary Shares, and which the Directors intend to vote in favour of the Resolution), these represent, in aggregate, approximately 56.6 per cent. of the Existing Ordinary Shares.

#### **9. RECOMMENDATION**

The Directors believe that the Transaction will promote the success of the Company for the benefit of its Shareholders as a whole.

The Directors unanimously recommend Shareholders to vote in favour of the Resolution to be proposed at the General Meeting as they intend to do so in respect of their own beneficial holdings\* amounting, in aggregate, to 59,700,673 Ordinary Shares, representing approximately 56.6 per cent. of the Existing Ordinary Shares.

\* Ben van Bilderbeek has a direct interest in 307,693 Ordinary Shares in the Company, representing 0.29 per cent of the issued share capital of the Company.

Ben van Bilderbeek is also one of the beneficiaries of a trust which controls 59.96 per cent. of the shares of Mutual Holdings Limited and the entire issued share capital of OFM Investment Limited.

Jeffrey Thrall, in addition to his own beneficial interest of 4,000 Ordinary Shares held by Thrall Enterprises Inc, has an indirect beneficial interest in a company which controls 32.48 per cent. of Mutual Holdings Limited.

At the date of this letter, Mutual Holdings Limited holds 42,700,001 Ordinary Shares, being 40.52 per cent. of the entire issued share capital of the Company, and OFM Investment Limited holds 15,069,767 Ordinary Shares, being 14.30 per cent. of the entire issued share capital of the Company.

#### **DEFINITIONS**

"**AIM**": AIM, a market operated by the London Stock Exchange;

"**AIM Rules**": the AIM rules for Companies published by the London Stock Exchange from time to time;

"**Board**": the board of Directors of the Company for the time being, including a duly constituted committee of the Directors;

**"Business Purchase Agreement" or "BPA"**: the business purchase agreement between the Company, POSL and TFMC dated 18 October 2017;

**"Cenkos Securities"**: Cenkos Securities plc, a company incorporated in England and Wales with company number 05210733 whose registered office is at 6.7.8 Tokenhouse Yard, London EC2R 7AS;

**"CIS"**: the Commonwealth of Independent States;

**"Collaboration Agreement"**: the collaboration agreement between the Company and TFMC dated 18 October 2017;

**"Company" or "Plexus"**: Plexus Holdings plc, a company incorporated in England and Wales with company number 03322928 whose registered office is at 42-50 Hersham Road, Walton-on-Thames, Surrey KT12 1RZ;

**"Completion"**: completion of the Transaction;

**"CREST"**: the relevant system (as defined in the Uncertificated Securities Regulations 2001 SI 2001: No.3755 (as amended)) in respect of which Euroclear UK & Ireland Limited is the operator (as defined in those regulations);

**"Directors"**: the directors of the Company;

**"Disposal"**: the disposal of Plexus' Jack-Up Business on the terms set out in the BPA;

**"ECS"**: European Continental Shelf, comprising Norway, Netherlands and Denmark;

**"Existing Ordinary Shares"**: the 105,386,239 Ordinary Shares as at the date of this document;

**"Form of Proxy"**: the form of proxy for use at the General Meeting;

**"FCA"**: the UK Financial Conduct Authority;

**"FSMA"**: the Financial Services and Markets Act 2000 (as amended);

**"General Meeting"**: the general meeting of the Company to be convened to consider, and if thought fit, approve the Resolution;

**"Gusar"**: LLC Gusar (OOO Gusar) a company incorporated in the Russian Federation with its principal office at 57 Transportnaya St, Gus- Khrustalny, Vladimir Region, Russia 601506;

**"HP/HT"**: high pressure/high temperature;

**"Jack-Up Business"**: the jack-up exploration drilling equipment and services business of Plexus;

**"Joint Industry Project"**: the joint industry project launched in October 2010 to develop a new design of subsea wellhead;

**"Konar"**: CJSC Konar (Zao Konar), a company incorporated in the Russian Federation with its principal office at 4-B Lenin Ave, Chelyabinsk, Russia 454085;

**"Licence Agreement(s)"**: the Royalty Free Licence and the Royalty Licence;

**"London Stock Exchange"**: London Stock Exchange plc;

**"Notice of General Meeting"**: the notice convening the General Meeting;

**"Ordinary Shares"**: ordinary shares of 1p each in the capital of the Company;

**"Overseas Shareholders"**: Shareholders who are resident in, or citizens or nationals of, jurisdictions outside the United Kingdom;

**"POS-GRIP"**: POS-GRIP®, the Company's patented technology which is a method of engineering which involves deforming one tubular member against another to effect gripping and sealing;

**"Regulatory Information Service"**: one of the regulatory information services authorised by the United Kingdom Listing Authority to receive, process and disseminate regulatory information in respect of listed companies;

**"Plexus Group"**: Plexus and its subsidiary undertakings;

**"POSL"**: Plexus Ocean Systems Limited, a company incorporated in Scotland with company number SC121368 whose registered office is at Johnstone House, 52-54 Rose Street, Aberdeen AB10 1HA being a wholly owned subsidiary of Plexus;

**"Rental Revenue"**: in relation to Year One and Year Two, revenue invoiced by the Jack-Up Business and in relation to Year Three, revenue accrued and invoiced by the Jack-Up Business, consisting of rental fees and performance related payments,

for POS-GRIP Exploration Wellhead Systems and associated systems, subject to specified exclusions, in each case as defined in the BPA;

**"Resolution"**: the resolution to approve the disposal of the Jack-Up Business by the Company and POSL is set out in the Notice of General Meeting;

**"Royalty Free Licence"**: the royalty free patent, trademark and know-how licence agreement between the Company, POSL and TFMC

**"Royalty Licence"**: the royalty patent, trademark and know-how licence agreement between the Company, POSL and TFMC;

**"Rosneft Vietnam"**: Rosneft (TNK Vietnam B.V);

**"Sales Revenue"**: in relation to Year One and Year Two, revenue invoiced by the Jack- Up Business and in relation to Year Three, revenue invoiced and accrued by the Jack-Up Business each from the sale of POS-GRIP Exploration Wellhead Systems and Tersus™ Mudline Suspension Systems, subject to certain exclusions, in each case as defined in the BPA;

**"Shareholders"**: persons who are registered as holders of Ordinary Shares from time to time;

**"Transaction"**: the proposed Disposal and related matters contemplated by the BPA, the Licence Agreements, the Collaboration Agreement, the TSA and other related documents;

**"Transitional Services Agreement" or "TSA"**: the transitional services agreement between the Company, POSL and TFMC;

**"TFMC"**: FMC Technologies Limited;

**"UK" or "United Kingdom"**: the United Kingdom of Great Britain and Northern Ireland;

**"UKCS"**: United Kingdom Continental Shelf;

**"United Kingdom Listing Authority"**: the FCA, acting in its capacity as the competent authority for the purposes of Part IV of FSMA;

**"US" or "United States"**: the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America;

**"Year One"**: the 365 day period commencing on the date of Completion;

**"Year One Rental Revenue"**: 33% of the Rental Revenue for Year One determined in accordance with the BPA;

**"Year One Sales Revenue"**: 33% of Sales Revenue from POS-GRIP Exploration Wellhead Systems and 10% of other Sales Revenue for Year One determined in accordance with the BPA;

**"Year Two"**: the 365 day period commencing on date immediately following the end of Year One;

**"Year Two Rental Revenue"**: 33% of the Rental Revenue for Year Two determined in accordance with the BPA;

**"Year Two Sales Revenue"**: 33% of Sales Revenue from POS-GRIP Exploration Wellhead Systems and 10% of other Sales Revenue for Year Two determined in accordance with the BPA

**"Year Three"**: the 365 day period commencing on date immediately following the end of Year Two;

**"Year Three Rental Revenue"**: 33% of the Rental Revenue for Year Three determined in accordance with the BPA; and

**"Year Three Sales Revenue"**: 33% of Sales Revenue from POS-GRIP Exploration Wellhead Systems and 10% of other Sales Revenue for Year Three determined in accordance with the BPA.

This information is provided by RNS  
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