

Redhall Group plc
("Redhall" or the "Group")

Strategy Update and Renewed Bank Facilities

Redhall Group plc (AIM: RHL), the specialist engineering support services group, is pleased to announce renewed bank facilities and an update on strategy.

Highlights

- Bank facilities extended to 30 November 2016
- Removal of divisional management layer and centralised support functions, saving £1.2 million on an annualised basis
- Focus on higher margin manufacturing capability
- Growth targeted on nuclear and oil & gas markets building on existing strengths
- Plan to reduce gearing by improving working capital and reducing exposure to contracting

Banking Facility Renewal

The Group has agreed extended bank facilities to 30 November 2016. The facilities, which are on normal banking terms, are fully underwritten by HSBC Bank plc and give adequate headroom to develop the business over the next two years.

Strategic Review and Cost Reductions

Following the completion of a detailed Group business review led by Chief Executive Phil Brierley, Redhall issues this update on strategy. A focus on higher margin manufacturing activities, with particular emphasis on the nuclear and oil & gas markets, will be at the centre of Group strategy going forwards. The Group has considerable expertise in these markets in the design, manufacture, installation and commissioning of fire and blast resistant doors, window and wall systems as well as being a specialist in the manufacture of containers, gloveboxes, racks and other high integrity products. There are significant opportunities available to the Group in these markets particularly in the nuclear sector. We will focus on opportunities in defence, and nuclear decommissioning and new build with a number of long term major projects being due for commencement within the next 12 – 18 months.

The Board is refocusing the Group's Nuclear contracting business to more closely align its activities with our manufacturing operations and to reduce the volume of low-margin contracting operations. This will enable the Group to provide a more integrated service to customers with end-to-end solutions at key sites. We will continue to concentrate on serving a small number of key customers particularly in the decommissioning and defence sectors. There will be no changes in our support to BAe at Barrow in Cumbria.

As the Group refocuses its Nuclear contracting business and executes lower volumes of framework contracts it continues to review the level of resource required and has completed a redundancy programme at its Defence business in Aldermaston. Based on expected customer volumes, this division, which has been loss making during 2014 should break even in the current financial year. There will be further non-recurring costs associated with ongoing restructuring of the Nuclear businesses during the 2015 financial year as exposure to low margin contracting is reduced and we drive the business towards the installation of manufactured equipment.

The Group has also performed a review of its day to day operations and is today announcing a number of management changes designed to streamline internal communication, reduce cost and give a more efficient service to customers. Redhall will no longer operate a divisional structure and is removing the divisional management layer, clearly placing day to day management responsibility in the individual business units with support from the Executive Directors. It has also announced that it will reduce overheads by centralising elements of the Group's support functions over the next six months. The impact of these changes will be to save around £1.2m on an annualised basis.

The overall restructuring cost to implement the plans announced today is expected to be in the region of £1.5m and these costs will be charged in the 2015 accounts. It is anticipated that the implementation of the strategy will be substantially completed by the end of the financial year ending 30 September 2015.

It is also anticipated that the focus on higher margin elements of our business will deliver a substantial improvement in profitability and earnings per share from our 2016 financial year onwards when we anticipate that there will be significant improvements in manufacturing led order volumes in our strategically key markets.

Phil Brierley, Redhall's Chief Executive, commented: "I am very pleased that we have agreed new banking facilities and that our bankers are supportive of the Group and its strategy. I am confident that the strategy to place particular focus on our higher margin manufacturing capability in the nuclear and oil & gas markets will deliver value to our shareholders in the longer term. The organisational changes to our divisional structure and the focus on shared services will enhance profitability and streamline communication. We remain absolutely focused on delivering high quality products and services to our loyal customers."

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