



# Executive Summary



## FINANCIALS

- Trading in line with expectations for H1 FY 2023
- Sales are expected to be £7 million, up 15%
- Five-year Agreement with GKN Aerospace expected to be worth in excess of US\$100 million in revenue over 5 years
- Sales only commenced at the end of H1 FY23; Significant investment in developing the US Facility
- As a result reported EBITDA is expected to be a loss of £0.9m for H1 FY23 (H1 FY22: £0.2m loss)

## CLIENTS

- Customers include GKN Aerospace, Safran, BAE Systems, Spirit, Aernnova. High barriers to entry including global approval with Airbus, Boeing and NADCAP
- Velocity's main competitors are customers performing the work in-house. By using Velocity proprietary services and technology, manufacturers reduce costs and free up resource to focus on their core business

## MARKET OPPORTUNITY

- Contracted business should deliver a three-fold increase in sales from 2022-2024
- The aerospace sector to achieve net zero by 2050. Demand for composites will grow as new generation aircraft are built
- Aerospace sector potentially worth \$6.5b per annum
- There are opportunities outside aerospace, Total Annual Composites Market Opportunity of \$41 billion

## THE FUTURE

- Growth will increasingly come from new facility in Alabama with capacity to double in size
- The commercial value of contracted business is currently estimated to be worth between £30m to £36m per annum at OEM planned production rates
- Healthy short-term pipeline of new business opportunities in Europe and North America
- Composite material usage is expected to grow significantly in civil aircraft and other transportation modes

# Experienced Board



**Andy Beadon**  
Non-Executive Chairman

Andy has over 30 years experience in finance, technology and manufacturing. He is a Chartered Account, and worked at Executive Board level for 20 years in a series of advanced material technology businesses, both listed and privately owned.



**Jon Bridges**  
CEO

Jon has over 25 years' experience within the advanced composites industry and is an experienced composite engineer. Jon is a founder of Velocity and known for his extensive knowledge around composite process technologies.



**Adam Holden**  
Group Finance Director

Adam has 19 years of experience in the accounting profession, including KPMG, Northern Rail and the private equity backed food manufacturer, BBF.



**Annette Rothwell**  
Non-Executive Director

Annette has extensive experience in industries undergoing transformational change. Since 2011, she has served as a director on the board of the Midlands Aerospace Alliance, the regional body for the Aerospace, Defence and Security industry. She has held a number of senior aerospace roles with global responsibility for supply chain management and procurement.



**David Bailey**  
Non-Executive Director

David has contributed to the strategic direction of the UK's aerospace industry and cross-sector composites sector as a Board member of the Aerospace Growth Partnership and Composites Leadership Forum. He has a PHD in aeronautics and an in-depth practical knowledge around operational excellence and sustainability within multiple manufacturing sectors.

# The Demand for Velocity Composites' Services



## Market

Growth opportunities continue to arise in both the aerospace (civil and defence) and non-aerospace sectors. The Industrial material composite sectors are a high growth markets, with the use of these advanced materials replacing heavier metal parts in Aerospace and other sectors such as automotive. This change is still in its infancy and independent analysts predict rapid growth in composite usage in manufacturing over the next two decades.

## Sustainability

As both aerospace and other transport systems move to carbon neutrality, vehicles need to be lighter and stronger in order to utilise alternative power sources

## Outsourcing

Provides the customer with the opportunity to reduce waste and focus on their core business to support the growth in the use of advanced composite structures

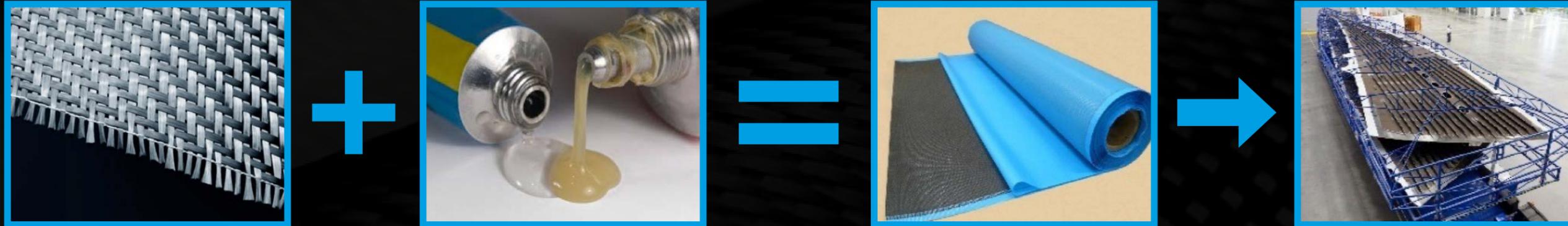
## Digitisation

Velocity's technology and services reduce waste in all forms from the global composites supply chain and increases quality and conformity

## Efficiency

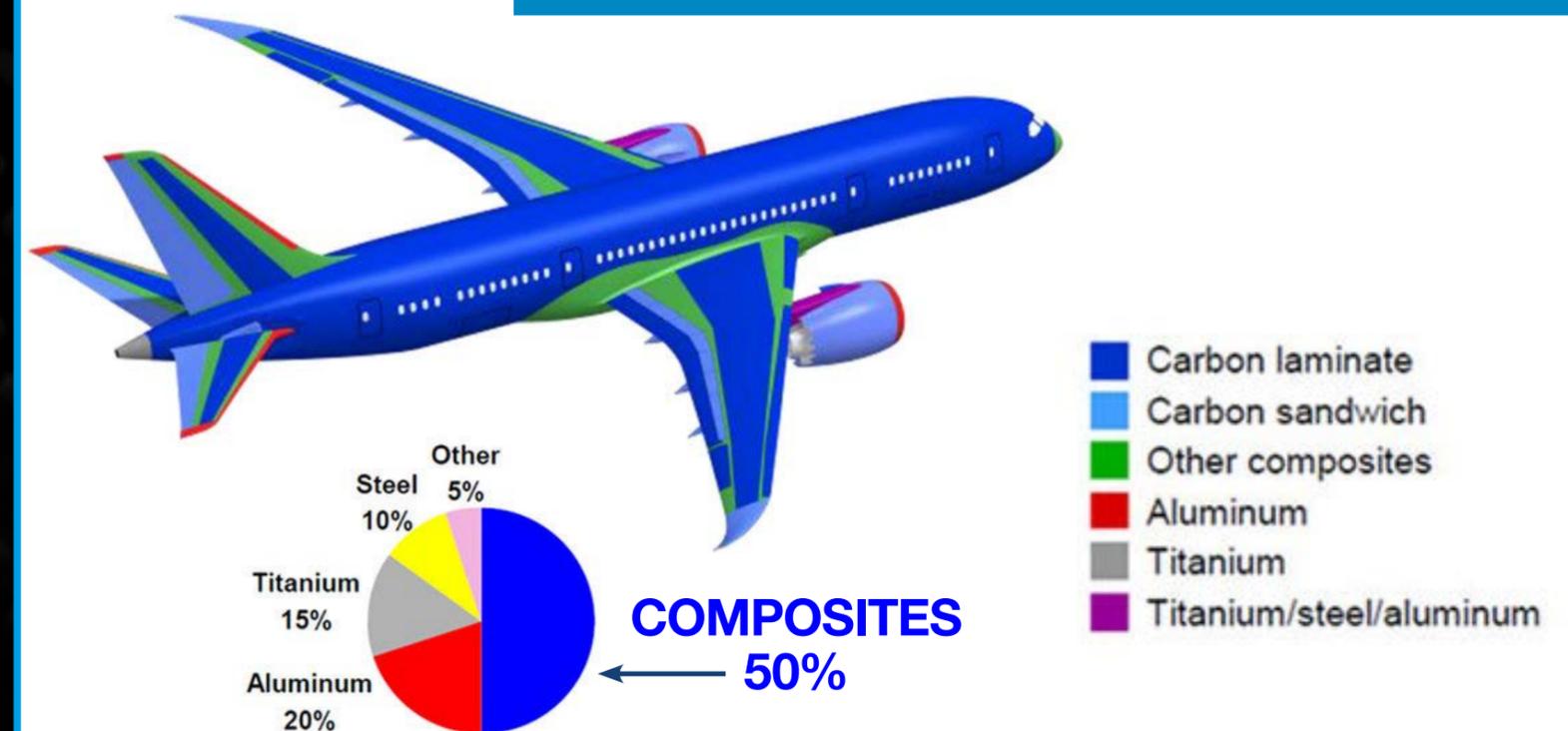
Velocity's technology drives efficient management and use of raw materials, delivering 10%-20% cost reduction to customers

# Composite Materials

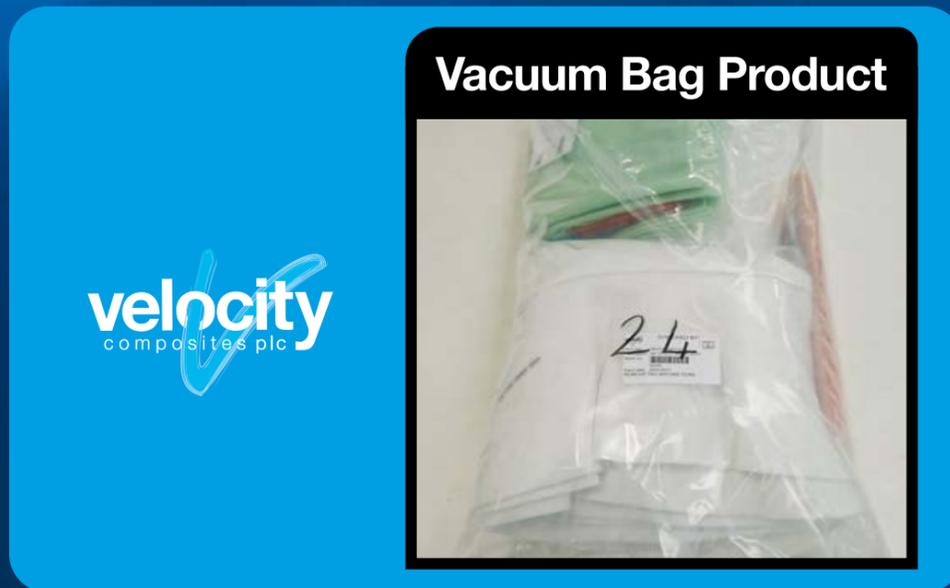


- A combination of a matrix and a reinforcement, which when combined gives properties superior to the properties of the individual components
- In the case of an aerospace composite, the reinforcement is the fibres and the matrix is the thermosetting resin
- Better weight saving, strength, corrosion resistance and fatigue resistance when compared with metals
- Less weight equals less cost for airlines and increased range
- One shot process – properties fixed when resin cures

## COMPOSITE USE IN PLANES



# The Velocity Process

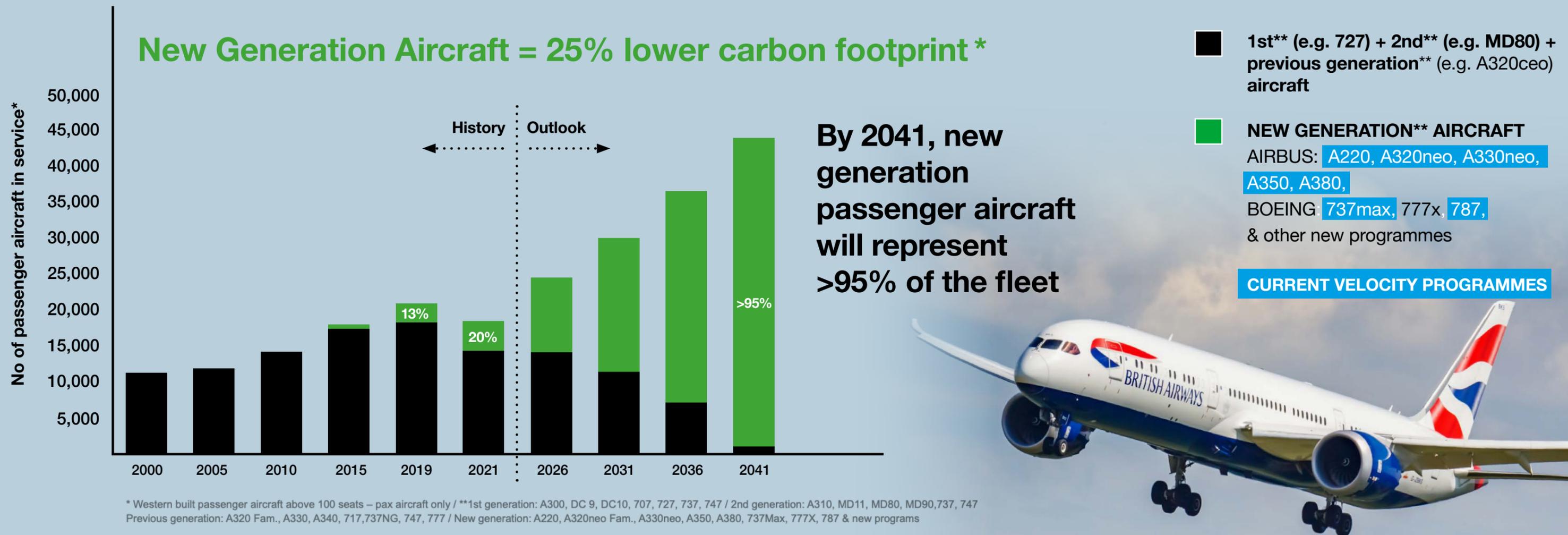


Finished Part (1m diameter)

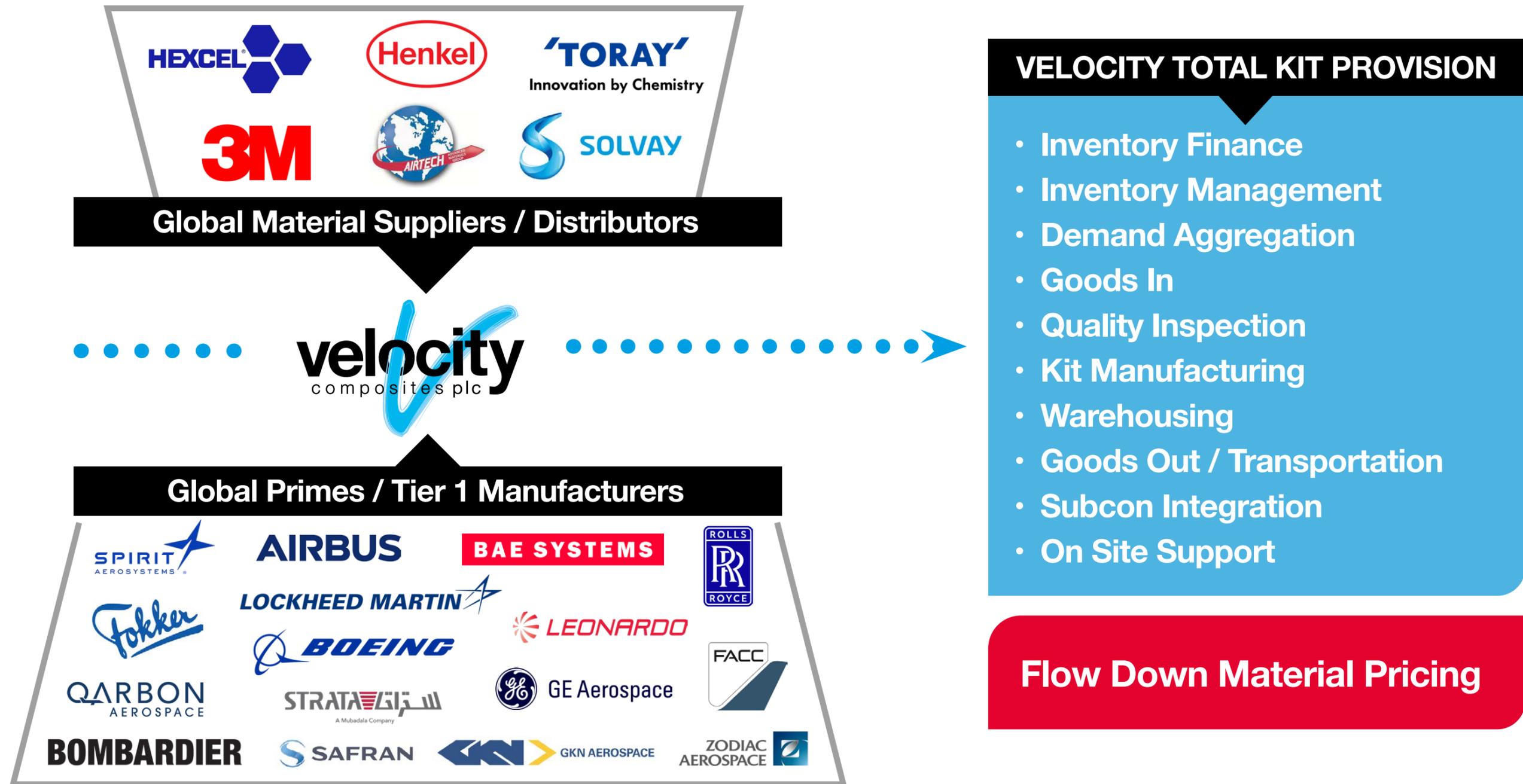
**Saving** > 10% material and > 20% time

# Sustainability Driving Growth

- Composites play an important role in light weighting all new aircraft platforms, civil and defence
- Contracted business should deliver a three-fold increase in sales from 2022-24
- Opportunity through new business to double sales again by 2025-26 to £70m per annum
- The aerospace sector has a clear strategy to achieve net zero by 2050 and demand for composites will grow as older platforms are retired for new generation aircraft.



# Where Velocity Sits in the Global Composites Industry



**Velocity's main competitor is customers performing the work in-house**

## PROBLEM FOR CUSTOMERS

- Materials are expensive and on long, fixed lead times (3-6 months)
- Raw material contains un-cured resin, and so needs to be kept frozen at -18°C until needed
- A kit contains multiple materials
- Highly regulated process with global approvals and batch/life traceability
- Material order book needs to match demand, life and batch traceability needs to be maintained, material must be consumed efficiently
- Not considered core business with low appetite or investment

## THE VELOCITY SOLUTION

- Velocity has invested in advanced, real-time proprietary technology and processes to control the end to end process in real time
- Velocity holds all approvals needed from Airbus, Boeing and NADCAP
- Velocity has turned a cost centre for customers into a profit centre
- Customer can outsource all processes to Velocity who can deliver one kit, with one batch number with everything needed to build the part, just in time.
- Significant cost savings whilst being able to focus on core business
- Velocity's efficiency drives customer savings and gross margins for Velocity



# Velocity's North American Site: Current & Potential Customers



# Case Study: Alabama

- Built to support the five-year Work Package Agreement that was announced in December 2022 with GKN Aerospace in the United States
- Expected to be worth in excess of US\$100 million in revenue over five years
- Site successfully achieved AS9100, Rev. D approval in November 2022
- Full customer audit approval and authority to proceed with First Article Manufacture provided in February 2023. Verification by the customer that the site infrastructure, capability, trained processes, quality, and transfer plans presented by Velocity exceeded the required standard
- Manufacture of the first production kits from April 2023
- Facility setup to enable it to double again in production capacity if required



# Market and Growth Opportunities



Velocity has identified the following long term opportunities that are not already included in Velocity's contracted business:

Customer	Annual Opportunity (\$m)
Qarbon	\$25m +
Safran	\$25m +
GKN	\$25m +
UTC	\$50m +
Boeing (all US Sites)	\$50m +
Gulfstream	\$25m +
Spirit	\$50m +

As shown on Maps in prior slides: key customers each range from \$25m to over \$50m pa of additional new business, based on know industry current production levels. Providing an immediate market of \$250m of opportunities for Velocity.

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## Aerospace global market is \$6.5bn pa, plus other markets to target are:



**GROUND  
TRANSPORT**

ANNUAL OPPORTUNITY  
**\$8.2b**



**ENERGY**

ANNUAL OPPORTUNITY  
**\$5.7b**



**MARINE &  
CONSUMER GOODS**

ANNUAL OPPORTUNITY  
**\$4.1b**

**Total Annual Composites Market Opportunity of \$41 billion**

# Why invest in Velocity?



- Highly experienced Senior Team (Board and Execs)
- Proven business model and first mover status
- Proprietary and innovative technology
- Long-term contracts worth between £30m to £36m per annum
- Long term expanding end markets with \$1b market opportunity in Western markets
- Ability to expand capabilities with High ROI

Further details can be found at [www.velocity-composites.com](http://www.velocity-composites.com)





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# Questions?



# Appendices

# FY2022 Results - Summary Income Statement

	FY 2022 £000	FY 2021 £000
Revenue	11,959	9,767
Cost of sales	(9,213)	(7,228)
Gross profit	2,746	2,539
Administrative costs	(4,063)	(3,903)
Operating loss	(1,317)	(1,364)
Finance expense	(187)	(182)
Loss before tax	(1,504)	(1,546)
Adjusted EBITDA*	(452)	(548)

\* Earnings before interest, tax, depreciation, amortisation and adjusted for share-based payments.

- Sales increase of 22.4% as the market begins to recover from the pandemic
- The additional volume has generated a gross profit of £2.7m, £0.2m ahead of the £2.5m achieved in FY21
- Margin of 23% is slightly below the underlying margin of the prior year and driven by a time lag in passing cost inflation through to the customer
- Administrative costs have increased by £0.2m to £4.1m. The small increase is a major achievement given the investment in business development and innovation
- The above has driven an EBITDA of £0.5m, consistent with FY21
- The business is now in a great position to deliver the US growth without a linear increase to the overhead base

# FY2022 Results - Summary Statement of Financial Position

	FY 2022 £000	FY 2021 £000
Non-current assets	3,541	2,830
Inventories	1407	877
Trade and other receivables	2,521	2,162
Tax receivable	-	341
Cash and cash equivalents	2,344	3,476
<b>Current assets</b>	<b>6,272</b>	<b>6,856</b>
Loans	503	514
Trade and other payables	2,207	1,058
Obligations under finance leases	405	309
<b>Current liabilities</b>	<b>3,115</b>	<b>1,881</b>
<b>Non current liabilities</b>	<b>3,298</b>	<b>3,238</b>
<b>Net assets</b>	<b>3,400</b>	<b>4,567</b>
<b>Total equity attributable to equity holders</b>	<b>3,400</b>	<b>4,567</b>

- Increase in non-current assets of £0.7m driven by investment in technology and the development of the US manufacturing facility
- £0.3m generated from working capital (excluding tax):
  - Inventory management remains a key focus and the £0.5m increase reflects both the increased volume, together with a need to mitigate risks of supply chain disruption
  - Trade debtors are tightly controlled resulting in an improvement to debtor days
  - Movement in payables of £1.1m more than compensates for the increase to inventory
- Non-current liabilities comprise CBILs (£1.5m) and obligations under finance leases (£1.8m)

# FY2022 Results - Summary Statement of Cash Flows

	FY 2022 £000	FY 2021 £000
Operating cash flows	(490)	(562)
Movements in working capital	260	887
Cash (outflow)/inflow from operations	(230)	325
Tax received	510	-
Cash inflow from operating activities	280	325
Cash used in investing activities	(356)	(51)
Cash used in financing activities	(1,056)	(66)
(Decrease)/increase in cash	(1,132)	208
Cash at 1 November	3,476	3,268
Cash at 31 October	2,344	3,476

- A positive working capital movement and tax receipt have generated a cash inflow from operating activities of £0.3m
- £0.4m invested in technology and US business development
- £1.1m utilised to repay CBILs and finance lease obligations
- Overall, a net cash position has been maintained whilst headroom remains in the IDF facility:

	FY 2022	FY 2021
Cash	2,344	3,476
CBIL loan	(2,009)	(2,514)
IDF	(175)	-
Net cash	160	962

# Outlook

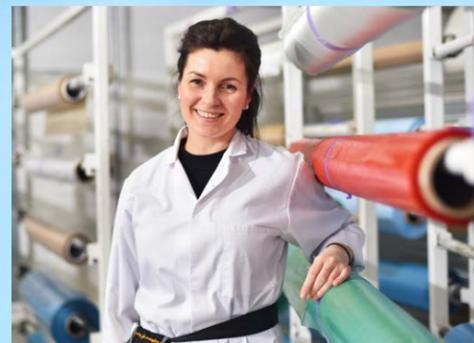
- Focus on using the US Facility to target the US composite materials market, it can double again in capacity.
- Remain significant opportunities for European growth through current UK customers and increased usage of our established European manufacturing capability.
- The commercial value of contracted business is currently estimated to be worth between £30m to £36m per annum at OEM planned production rates.
- The Company has a healthy short-term pipeline of new business opportunities in Europe and North America.
- Wider adoption of composite material technologies will continue, with lightweighting and composite strength being critical to all electrification, hydrogen fuel developments and urban vertical mobility transportation.
- Velocity's strategy is to be a key advanced manufacturing solutions provider to these important growth markets and already has some business in the development stages of these new initiatives.



# velocity

composites plc

revolutionising composite manufacturing



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