



© Velocity Composites Plc - JAN 2020

A year of change and platform for growth established

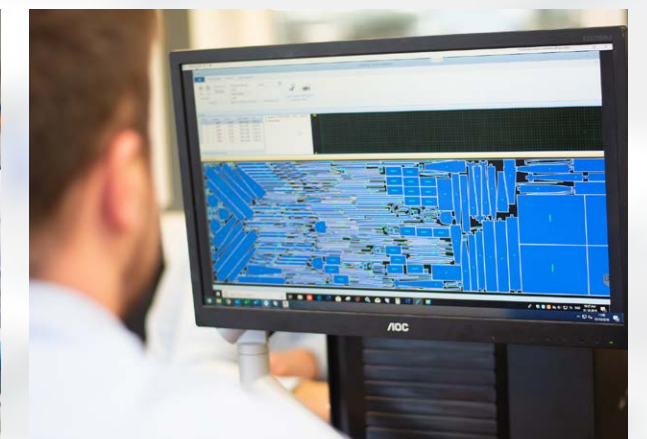
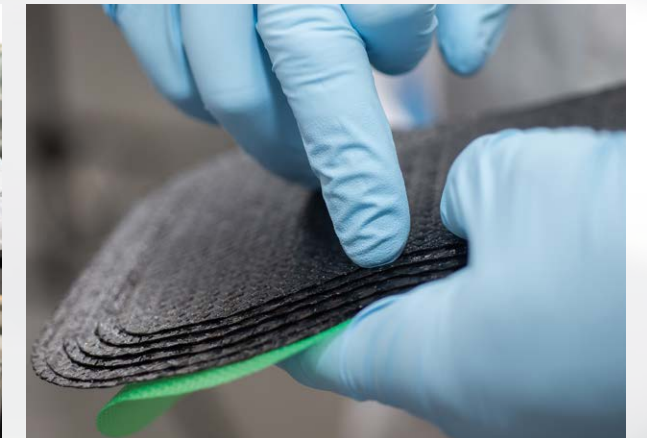


A year of change

- Leadership stabilised and the Board strengthened
- Focussed growth through expanding services to major composite customers in Europe and USA
- Integrated Business Plan to improve operational efficiency and ensure delivery of growth
- Development in systems, processes and R&D

Platform for growth

- Improved efficiencies delivering higher margins
- Strategic supply chain alliances supporting growth
- Expanding geographically
- Significant market opportunity as benefits of composites in aircraft manufacture gain traction
- Development of customer on site services focussed on larger contracts
- Advanced Technology centre of excellence to support product, process development and training
- Expanding aerospace approvals - Airbus, Boeing and NADCAP





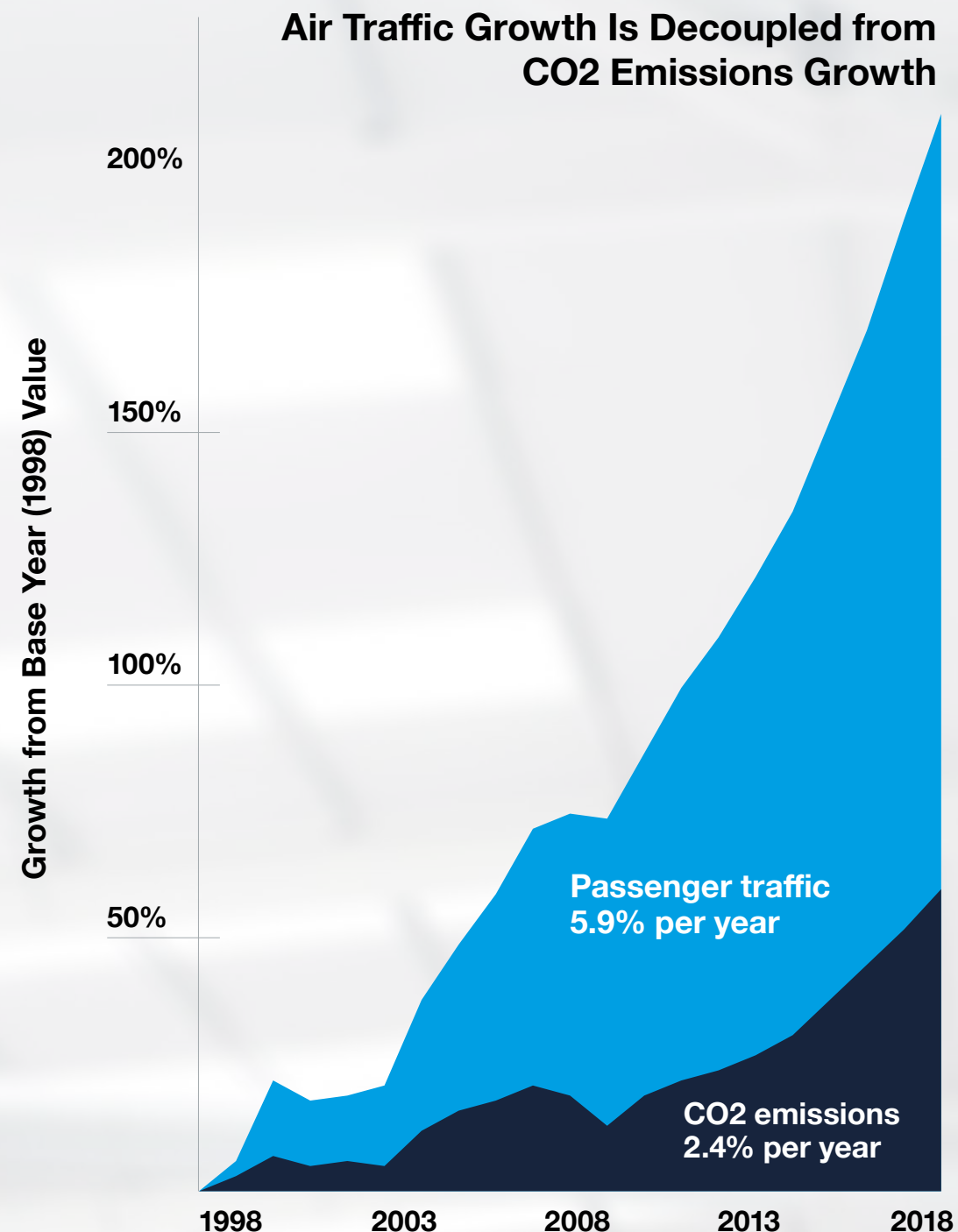
Board

- Highly experienced industrial and commercial board
- Jon Bridges CEO
- Andy Beaden appointed Chairman and Rob Soen Non-Executive Director in July 2019
- Quoted company board experience
- Strengths in finance, manufacturing technology, global procurement, supply chain management, adding shareholder value

Management

- Composite aerospace background
- New bottom-up integrated business plan to deliver profitable growth
- Focus on revenue growth and operational excellence
- Target-based reward and recognition incentivisation
- Strengthening and expanding business development team

Growth drivers for the aerospace composites market



Note: CO2 growth estimated for 2017 & 2018

- The use of composites in structural and non-structural airframe parts achieves a 20% weight reduction as compared with aluminium (source: Boeing Group)
- Sustainability - lower weight enables a reduction in fuel use assisting aerospace manufacturers and airlines to achieve emissions reduction targets and improved economics
- Composites require lower maintenance costs than aluminium:
 - Boeing 777 composite tail is 25% larger than the 767's aluminium tail but needs 35% fewer scheduled maintenance hours, with reduced risk of fatigue and corrosion
 - Airbus has increased the service interval in the A350 to 12 years from 6 years for its predecessor the A330
 - Airbus state that the high carbon fibre content on the A350 will reduce fatigue and corrosion related maintenance by 60%.
- Composites expected to have a longer lifespan resulting in higher residual aircraft values over time and thereby improving aircraft leasing returns
- Estimate of market size for composite kitting £1bn to 2bn

Highlights



FY19

- Board issue resolved
- Strengthened blue chip customer base with strong pipeline of new opportunities (Safran/GKN/GE/BAE)
- USA business developing partnerships through supply chain

Post year end

- Boeing audit approval for Fareham
- Production of structural FAI kits for 737 Max programme commenced
- Additional independent NED recruitment underway
- CFO recruitment underway
- Recruitment of Customer Programmes Director
- Terms agreed to extend largest Long Term Agreement

Financial Highlights

	FY 2019 £000	FY 2018 £000
Revenue	24,316	24,478
Cost of sales	(19,047)	(19,991)
Gross profit	5,269	4,487
Admin Costs	(5,177)	(5,322)
Exceptional admin expense	(692)	(252)
Other income	6	15
Operating loss	(594)	(1,072)
Finance expense	(58)	(135)
Loss before tax	(652)	(1,207)
Adjusted EBITDA profit/(loss) *	613	(238)

* Adjusted EBITDA is before charging Interest, Tax, Depreciation, Amortisation, adjusted for exceptional administrative costs and share based payment charge

- Revenue stable
 - Reduction in A320/A330 CEO and A380
 - Increase in A320/A330 NEO platforms & 737 MAX consumables
- GM improvement 21.7% (FY18: 18.3%)
- Gross profit up 17%
- Admin costs reduced slightly during the year
- Non-recurring costs £0.7m (FY18: £0.25m) cover termination costs of previous Chairman and NEDs; settlement founders and certain other restructuring costs
- Share based payment of £66k (FY18: £169k)
- Adjusted EBITDA* £0.6m (FY18: Loss £0.2m)

Balance Sheet

	FY 2019 £000	FY 2018 £000
Non current assets	1,379	1,442
Current assets		
- Inventories	3,177	2,744
- Trade & other receivables	4,224	5,840
- Cash and cash equivalents	3,424	4,726
Current liabilities		
- Trade & other payables	3,223	5,204
- Net obligations under finance leases	121	116
Non current liabilities - Net obligations under finance leases	169	171
Net assets	8,691	9,261
Total equity attributable to equity holders	8,691	9,261

- Debtor days reduced from 72 days to 52 days with less than £0.1m of overdue debt (FY18: £0.9m)
- Creditor days reduced from 64 days to 46 days as we deliver on paying our suppliers in line with terms
- Strong focus on cash management
- Stock increased during the year as result of Brexit planning. Plan now to reduce stock levels during H2 FY20
- Capex of £0.3m (major item new laser)
- Cash at bank impacted by exceptional costs, no drawn down on invoice discounting at YE19 (FY18: £0.6m), change of payroll date and higher stock levels
- Cash includes £1.61 of EIS/VCT funds being invested in USA, Advanced Technology centre and Europe

Cash Flow

	FY 2019 £000	FY 2018 £000
Operating loss	(636)	(994)
Depreciation & Amortisation	449	413
Other Operating Cash flows	90	83
Decrease/(Increase) in receivables	1,579	424
Decrease/(Increase) in inventories	(433)	522
(Decrease)/Increase payables	(1,363)	98
Cash generated from operations	(314)	546
Taxation	54	(40)
Purchase property, plant and equipment	(156)	(220)
Development expenditure capitalised	(89)	(152)
Proceeds from the sale of PPE	15	-
Finance costs	(58)	(135)
Decrease in Invoice discounting (ID)	(612)	(528)
Repayment of Finance Lease capital	(142)	(159)
Net decrease) / increase in cash and cash	(1,302)	(688)
Cash and cash equivalents at end of period	3,424	4,726
Net cash after deducting ID	3,420	4,110

- Inventories higher due to stock build for Brexit
- Debtors – significant improvement due to focus on cash collection and reduction in overdue debts with one customer
- Creditors – good cash collection has enabled creditors to be paid in line with terms, pay date change reduced accrual by £0.3m
- Reduction in finance costs

Market Overview



	Mainland Europe	North America	Asia
Entry Strategy	<ul style="list-style-type: none"> • Supported from UK • Leverage current customer relationships 	<ul style="list-style-type: none"> • Working with Wesco • Developing onsite customer solutions • Large customer opportunities 	<ul style="list-style-type: none"> • Distribution model explored with partners
Investment	<ul style="list-style-type: none"> • Open Advanced Technology Centre in Burnley - H1 2020 • Developing sales team 	<ul style="list-style-type: none"> • Monthly visits by senior management • Sales team • New facility planned 	<ul style="list-style-type: none"> • BD visits continue in region • Project office opened in Kuala Lumpur with 3 engineering staff
Progress	<ul style="list-style-type: none"> • Key contract wins & renewals • Boeing approval • Pipeline of projects at various stages of Lifecycle • Opportunity with European supply chain partner 	<ul style="list-style-type: none"> • Legal entity established • US site in south east USA planned to be operational 2020 • 3 pilot customers at bid stage 	<ul style="list-style-type: none"> • Focus behind Europe / NA • Focus on 3/4 key customers supplied from existing facilities • Difficult support locally

Understand market

Identify target

Visit / Present / RFQ

Bid Submission

North American Opportunities



- **Wesco Strategic partnership - c.\$600m identified addressable market**
- **Atlanta region identified for first manufacturing facility**
- **Major opportunity being progressed with one customer who we currently work with in Europe**
- **Showroom site expected to be operational in 2020**
- **Opportunities with two other large customers in the region being progressed**
- **Advanced “pop up” first manufacturing facility in progress**

Europe Opportunities



- **Working with Airbus and our supply chain partners**
- **Seek to further develop mainland European team**
- **New business opportunities are an extension of UK customer business**
- **Increased focus on reducing material waste is helping raising value of Velocity's services**

Future Events



- **Cenkos Growth & Innovation Forum** 11 February 2020
- **AGM at Burnley site** 25 February 2020
- **Advanced Technology Centre opening** June



Summary & Outlook



- New Board with strong industrial and aerospace experience
- New NED and CFO to be added in 2020
- Current revenue visibility 85% with strong pipeline of further opportunities
- Investment in US operation underway
- UK Advanced Technology centre to open H1 2020
- Further investment in sales and programme management capabilities required and underway
- Capitalise on long term forecast growth in lower weight high composite content aerospace platform
- Improving H2 performance expected with new contract wins
- Strengthened business positioned to deliver growth in future years

Appendices

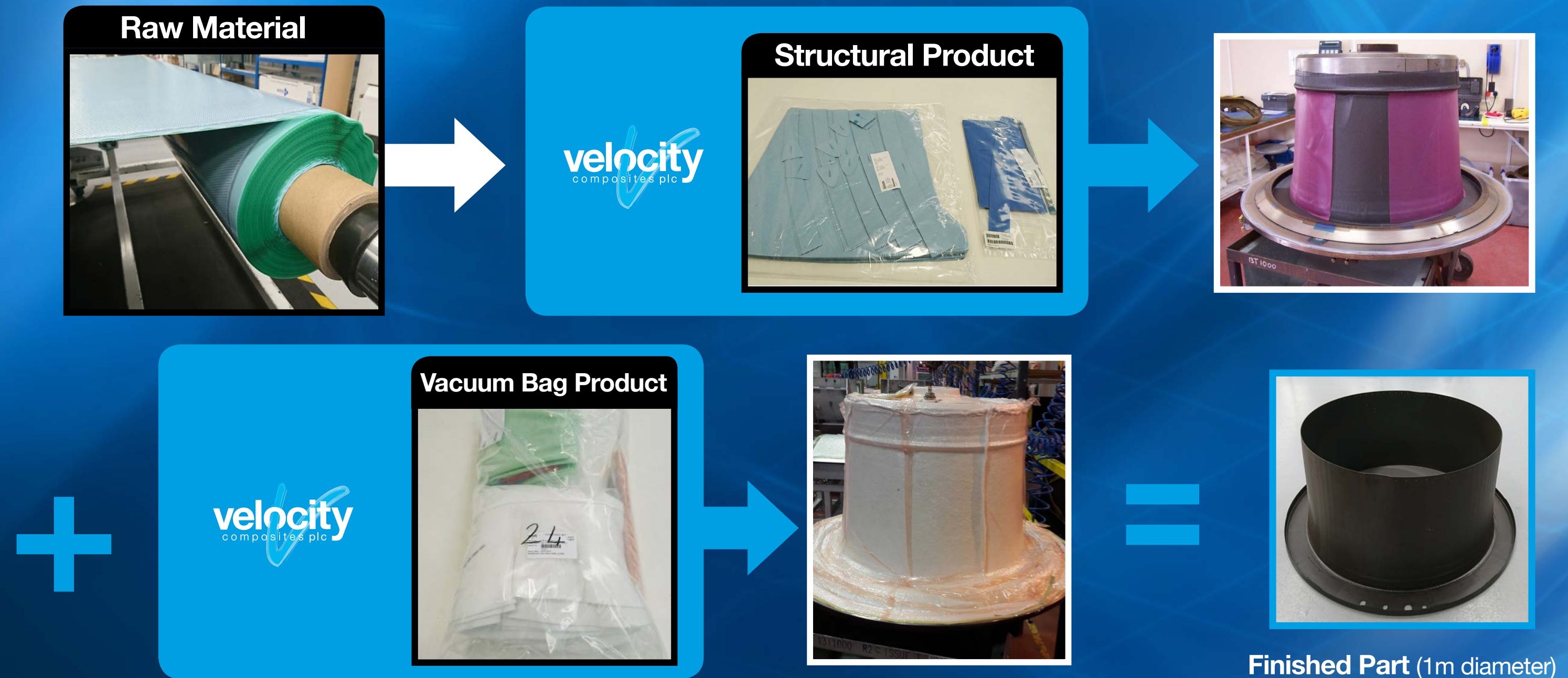


Velocity - What do we do?



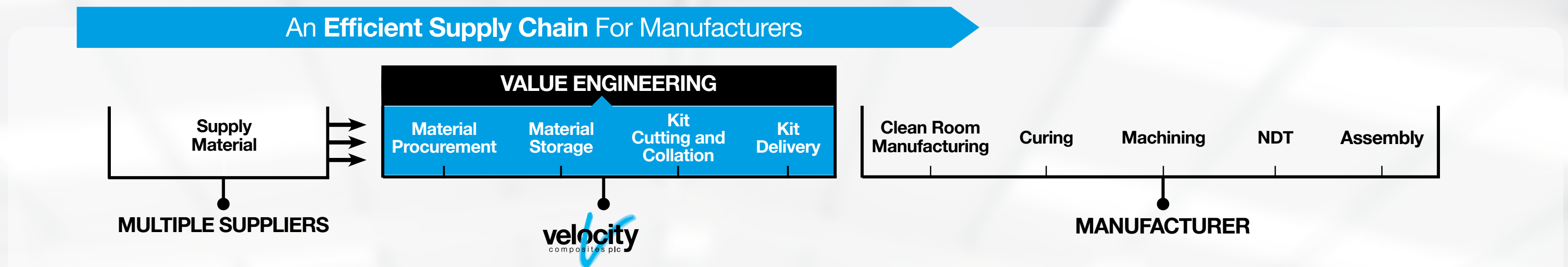
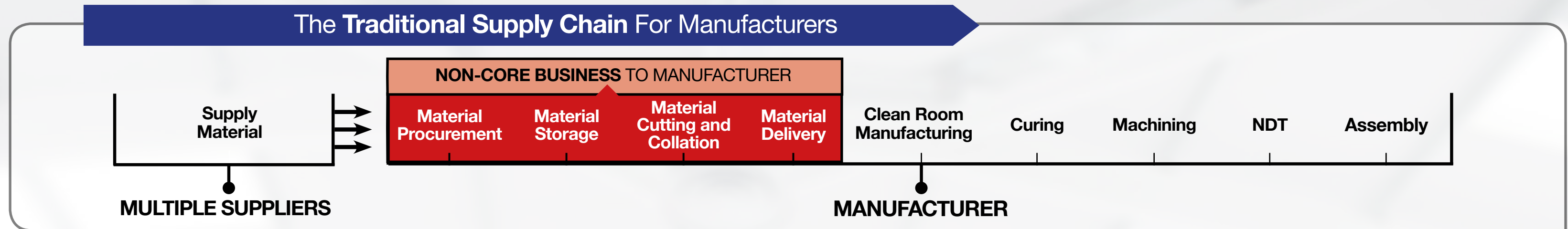
- **Mission:** To revolutionise aerospace and high value composites manufacturing by enabling our customers to reduce waste/costs whilst meeting increased global demand by creating a lean and scalable supply chain in a more-for-less era
- Velocity manufactures highly engineered and consumable kits for use in the production of carbon fibre composite parts for aircraft
- Carbon fibre has seen a step change increase in its use in aircraft and long term aircraft production rates have seen an unprecedented increase
- Velocity uses its industry knowledge and business processes to reduce the amount of raw material and process time our customers need to build aircraft
- Velocity helps manufacturers to reduce costs and increase production rates to help them to meet the challenging targets set by the global aircraft manufacturers to reduce the backlog

Velocity Process



Saving > 10% material and > 20% time

The Composites Manufacturing Process



- **Velocity:**
 - **enables** customers & material suppliers to **focus on their core business**
 - **performs** its core business in a **controlled, cost efficient environment**
 - **becomes** a **single supplier** for our customers to deal with across a wide range of suppliers
 - **provides** a **cost effective, just in time service** delivering a **total kit containing all materials**

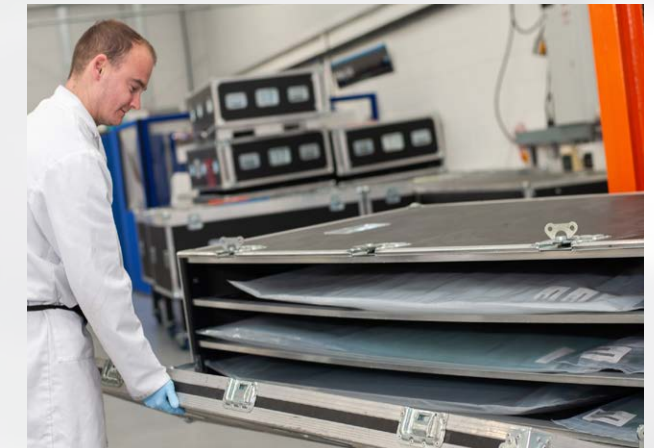
reduces customer costs whilst generating profits for Velocity

How Velocity Adds Value

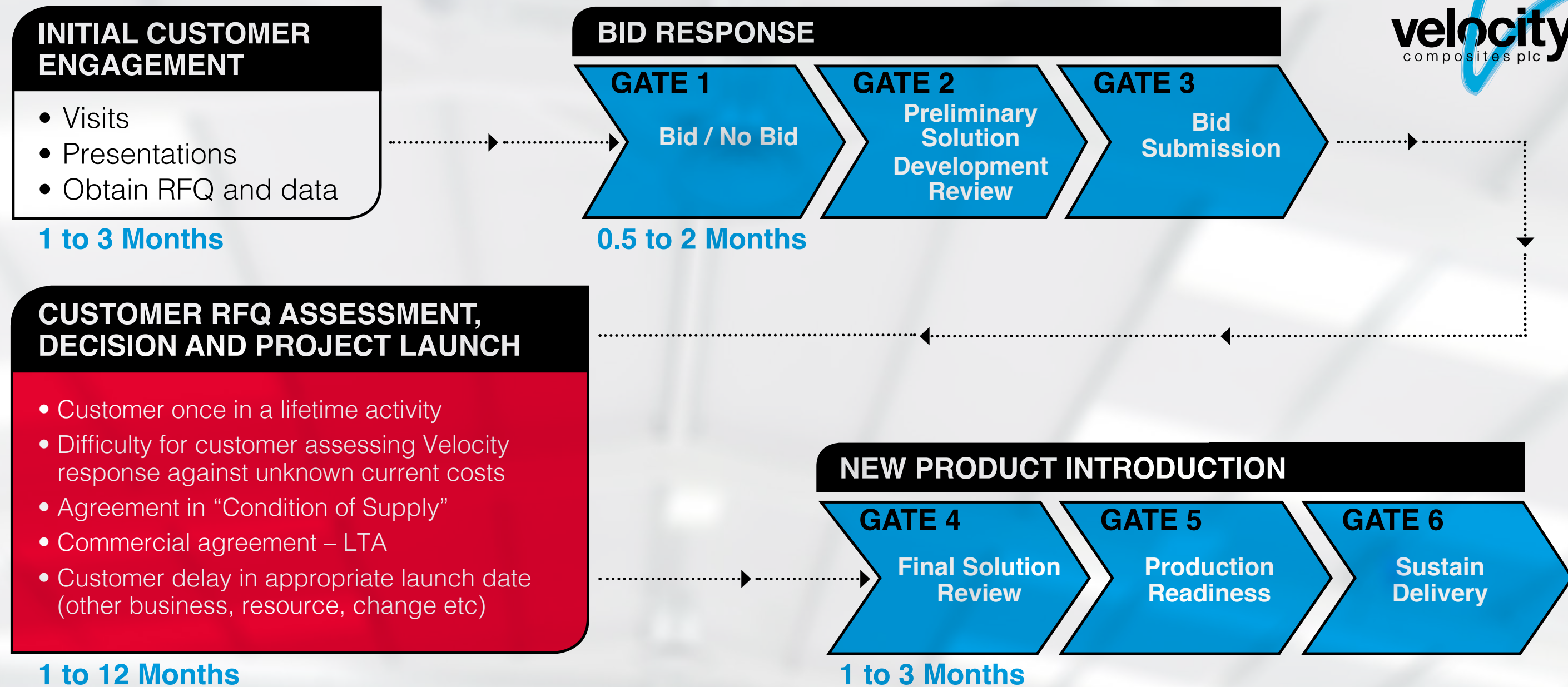


Savings made by customers using Velocity

- Material spend reduced by 10 - 53% due to smarter nesting
 - Material increase in productivity due to reduced production times
 - Increase in productive cleanroom floorspace by removing associated equipment
 - Cost of non quality products reduced/eliminated by more standardised process
 - Reduction in capital equipment spend
 - Indirect support staff costs reduced due to direct line feed
 - Full material traceability & regulatory compliance
 - Improved cashflow due to just in time deliveries
- Industry is in a more-for-less era



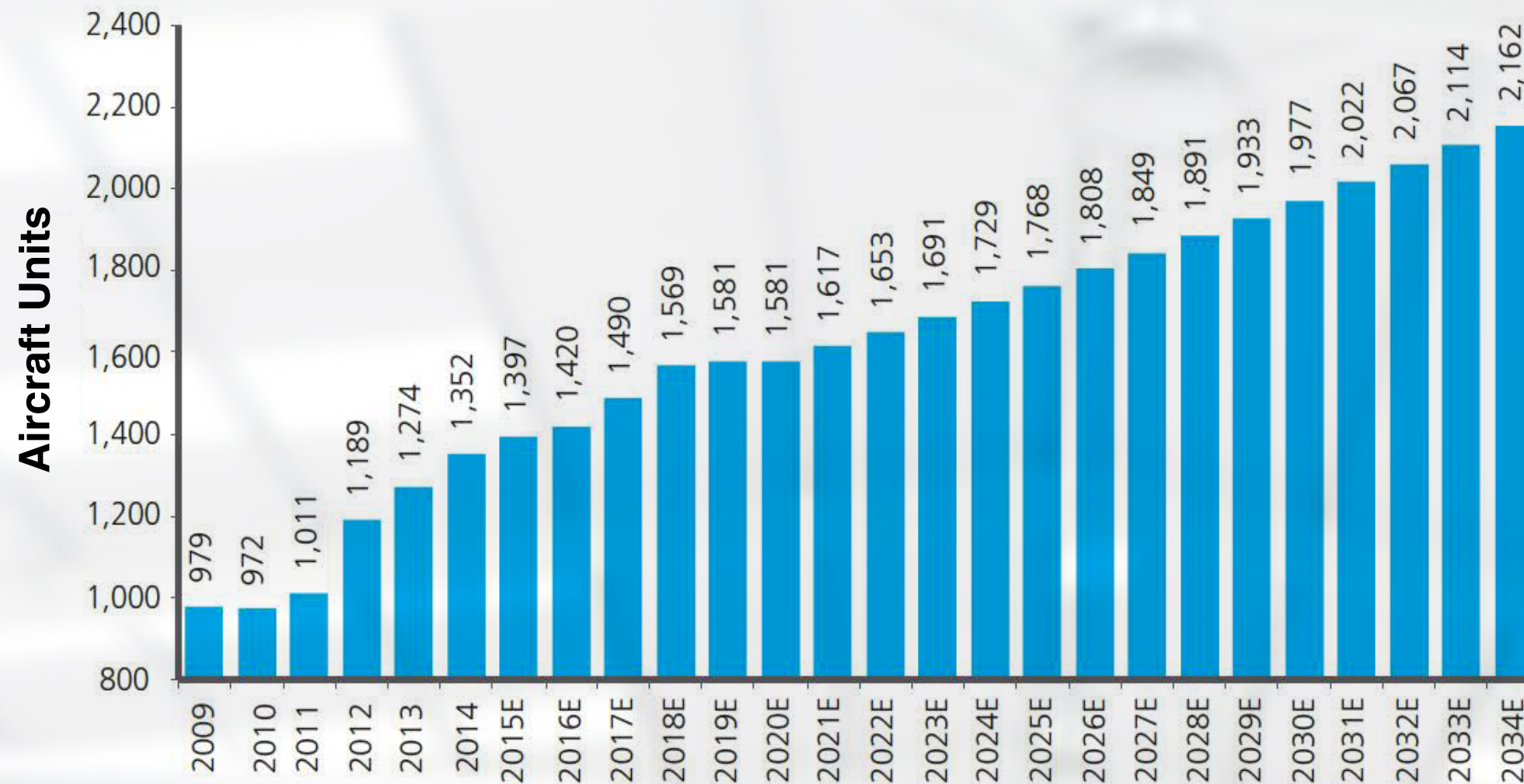
Customer Engagement Lifecycle



*Typical 18-24 month lifecycle

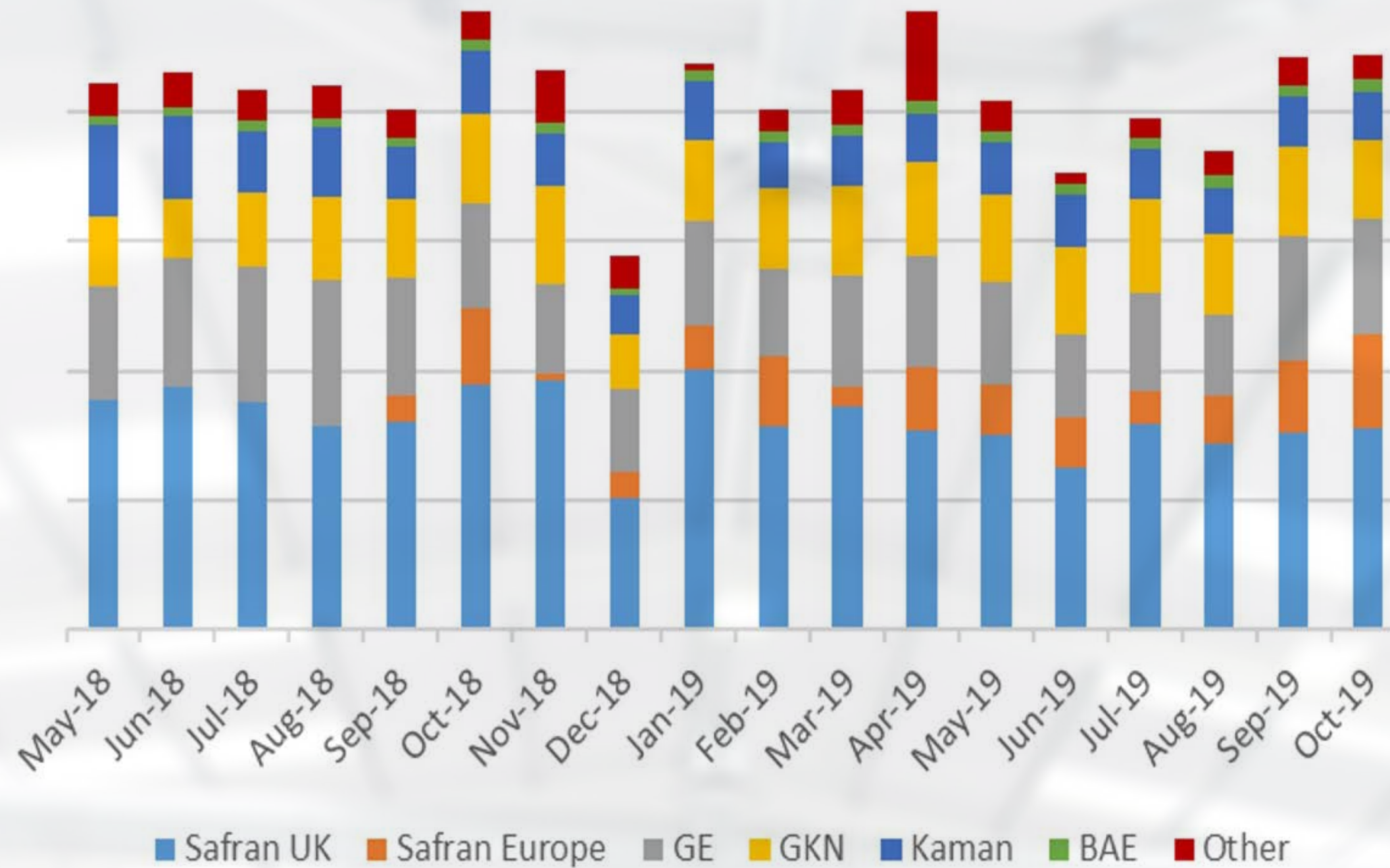
Global Demand Update

The Macro Aircraft Market Growth

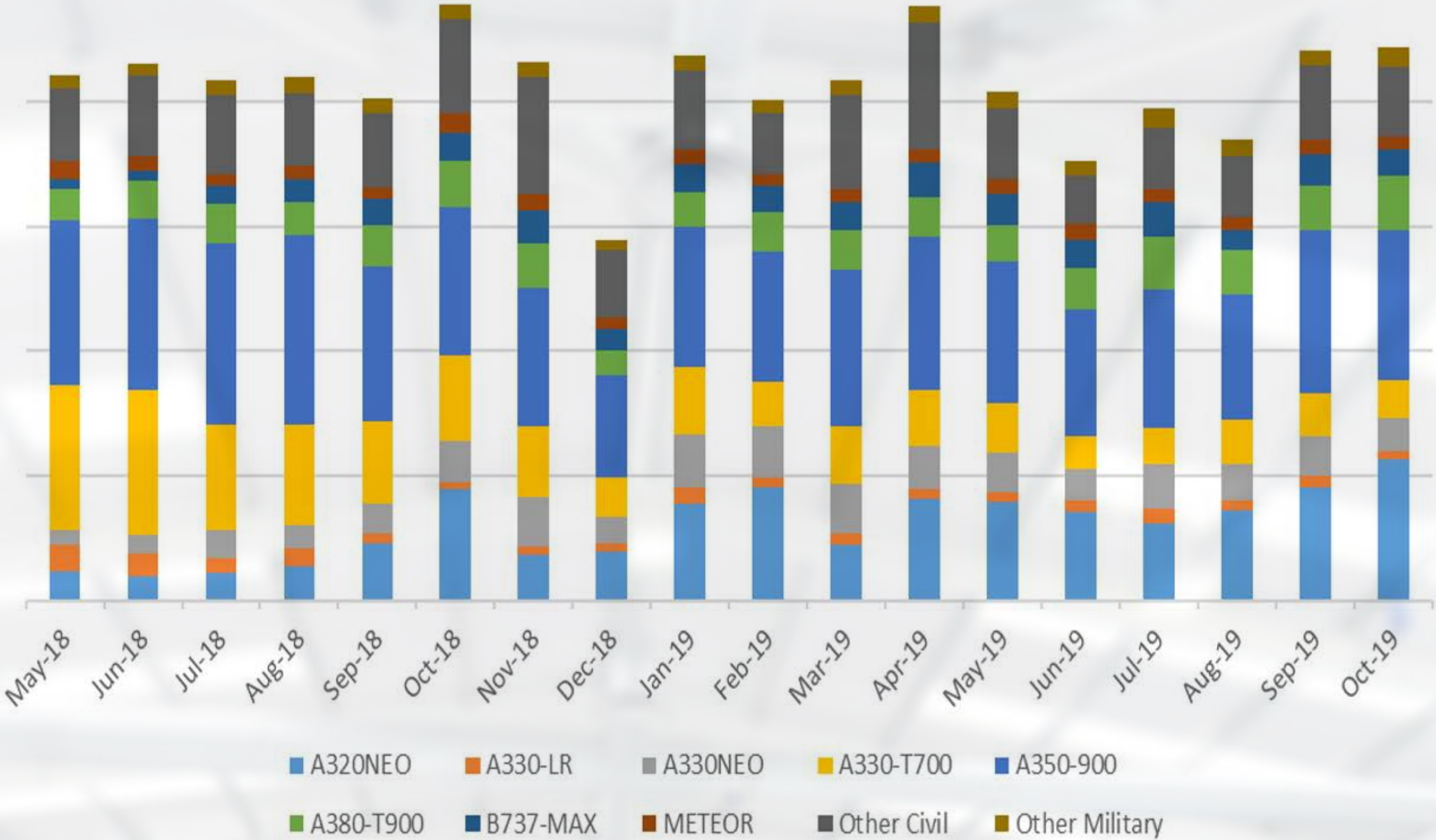


- Over 41,000 aircraft to be delivered in next two decades
- Aircraft fleet growth >90% over next 20 years
- Introduction of new aircraft variants with higher proportions of composite material from both Airbus and Boeing from less than 25% to more than 50%
- Industry focused on more efficient manufacturing to deliver more for less
- In Asia 100m + people to fly for first time each year
- Aircraft fleets in Asia, middle East and South America are set to double in each of these regions

Revenue by Customer



Revenue by Aircraft Type



Consolidated Statement of Financial Position



As at 31 October 2019

	FY 2019 £000	FY 2018 £000
Non-current assets		
- Intangible assets	318	362
- Property, plant and equipment	1,061	1,080
Current assets		
- Inventories	3,177	2,744
- Trade & other receivables	4,149	5,727
- Corporation tax	75	113
- Cash and cash equivalents	3,424	4,726
Current liabilities		
- Trade & other payables	3,223	5,197
- Grant income deferred	-	7
- Corporation tax	-	-
- Net obligations under finance leases	121	116

Consolidated Statement of Financial Position



As at 31 October 2019

	FY 2019 £000	FY 2018 £000
Non current liabilities		
- Deferred tax	-	-
- Net obligations under finance leases	169	171
Net assets	8,691	9,261
Equity attributable to equity holders		
- Share capital	90	89
- Share premium	9,727	9,727
- Share-based payments reserve	537	536
- Retained earnings	(1,663)	(1,091)
Total equity	8,691	9,261

IMPORTANT NOTICE

This presentation and any verbal information given (together, the “Presentation”), has been prepared by the directors of Velocity Composites plc (the “Company”). The information in the Presentation is not intended to form the basis of any contract. By attending (whether in person or by telephone) or reading the Presentation, you agree to the conditions set out below. The Presentation is confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by its recipients to any other person for any purpose, other than with the consent of the Company.

The Presentation does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any shares or other securities of the Company, nor shall it (or any part of it), or the fact of its distribution, form the basis of, or be relied on in connection with or act as any inducement to enter into, any contract whatsoever relating to any securities.

The Presentation is provided for general information only and does not purport to contain all the information that may be required to evaluate the Company. The information in the Presentation is provided as at the date of the Presentation (unless stated otherwise) and is subject to updating, completion, revision and further verification. No reliance may be placed for any purpose whatever on the information or opinions contained or expressed in the Presentation or on the accuracy, completeness or fairness of such information and opinions.

To the extent permitted by law or regulation, no undertaking, representation or warranty or other assurance, express or implied, is made or given by or on behalf of the Company or any of its parent or subsidiary undertakings or the subsidiary undertakings of any such parent undertaking, or any of its directors, officers, partners, employees, agents, affiliates, representatives or advisors, or any other person, as to the accuracy, completeness or fairness of the information or opinions contained in the Presentation. Save in the case of fraud, no responsibility or liability is accepted by any person for any errors, omissions or inaccuracies in such information or opinions or for any loss, cost or damage suffered or incurred, however arising, directly or indirectly, from any use of, as a result of the reliance on, or otherwise in connection with, the Presentation. In addition, no duty of care or otherwise is owed by any such person to recipients of the Presentation or any other person in relation to the Presentation.

Nothing in the Presentation is, or should be relied on as, a promise or representation as to the future. The Presentation includes certain statements, estimates and projections provided by the Company in relation to strategies, plans, intentions, expectations, objectives and anticipated future performance of the Company. By their nature, such statements, estimates and projections involve risk and uncertainty since they are based on various assumptions made by the Company concerning anticipated results which may or may not prove to be correct and because they may relate to events and depend on circumstances that may or may not occur in the future and may be beyond the Company’s ability to control or predict. No representations or warranties of any kind are made by any person as to the accuracy of such statements, estimates or projections, or that any of the events expressed or implied in any such statements, estimates or projections will actually occur. The Company is not under any obligation, and expressly disclaims any intention, to update or revise any such statements, estimates or projections. No statement in the Presentation is intended as a profit forecast or a profit estimate.

The Presentation does not constitute or form part of an offer or invitation to issue or sell, or the solicitation of an offer to subscribe or purchase, any securities to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful, and, in particular, is not for distribution in or into Australia, Canada, Japan, the Republic of South Africa or the United States. The Company has not registered and does not intend to register any shares the subject of the Fundraising under the US Securities Act of 1933 or under any securities laws of any state or other jurisdiction of the United States and, subject to certain exceptions, such shares will not be offered, sold, resold, taken up, exercised, renounced, transferred or delivered, directly or indirectly, in or into the United States. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any provision or territory of Canada; no document in relation to the Fundraising has been, or will be, lodged with, or registered by, the Australian Securities and Investments Commission; no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Fundraising; and the relevant clearances have not been, and will not be, obtained from the South African Reserve Bank and any other applicable body in the Republic of South Africa in relation to such shares. Accordingly, such shares will not, directly or indirectly, be offered or sold within the United States Canada, Australia, Japan, the Republic of South Africa or offered or sold to any resident, national or citizen of the United States, Canada, Australia, Japan or the Republic of South Africa.

By accepting receipt of, attending any delivery of, or electronically accessing, the Presentation, you agree to be bound by the above limitations and conditions and, in particular, you represent, warrant and undertake to the Company that: (i) you are a Relevant Person (as defined above); (ii) you will not forward the Presentation to any other person, or reproduce or publish this document, in whole or in part, for any purpose and (iii) you have read and agree to comply with the contents of this notice.



velocity

composites plc

revolutionising composite manufacturing

