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For the six months ended 30 April 2020

- **Highlights**
- **COVID-19 – impact, actions and current status**
- **Aerospace industry today**
- **Business Development**
- **Summary and outlook**



Highlights



**Boeing Approval
and
NADCAP Merit achieved**

**New Customer
Programmes Director
appointed**

**Resilient business model,
swift management action
to mitigate impact of
COVID-19**

**No contracts lost - reduced
revenue from existing
business**

**Robust liquidity position
with £2 million cash and debt
facilities of upto £7 million**

**Deployment of
Accelerated Customer
Benefits Proposal**

Bids progressing well

**Velocity's customer
proposition
even more relevant**

INVESTMENT CASE REMAINS STRONG

IMPACT

- Immediate impact on airline industry, following global lockdown restrictions
- Initial shock was c.75% reduction in customer demand from 23 March 2020 to present, compared with prior year
- H1 revenue impacted by £1.7m
- Raw materials forecasting challenging, as signals from customers change frequently
- Temporary customer plant closures in May and June



ACTIONS TAKEN

- 60% of staff furloughed
- Cash conservation measures implemented
- Materials supply rescheduled weekly to align stock with customer demand
- New Accelerated Customer Benefits Proposal deployed
- Scenarios modelled on cash requirements
- CBIL of £2m secured - drawn down no later than 31 July 2020



CURRENT STATUS

- **Re-alignment of business to match customer demand, whilst maintaining key capabilities**
- **£30 million of active bids**
- **Robust financial liquidity with sufficient financial resources to withstand likely recovery scenarios**
- **Market expected to recover over 2-3 years**

NO CONTRACTS LOST - BUSINESS FINANCIALLY SOUND

Aerospace Industry Today



Velocity has a strong proposition in a growing market for composites (market share <1%), with an increased need for cost reductions

- Significant contraction in production of new aircraft
- Government financial support of the industry and accelerated retirement of older aircraft likely to drive demand for more efficient, lighter, lower emission planes in the medium-term
- Growing market for composite parts: new Airbus and Boeing aircraft variants continue to use higher proportion of composite material (>50%) compared with previous generation (<25%)
- Industry starting to consolidate and contract to fewer production facilities, due to demand reduction
- Velocity pitching accelerated cost reductions and efficient manufacturing process, to integrate into this cost-down cycle

Velocity's customer proposition more relevant than ever, as customers look for cost reduction opportunities as they consolidate



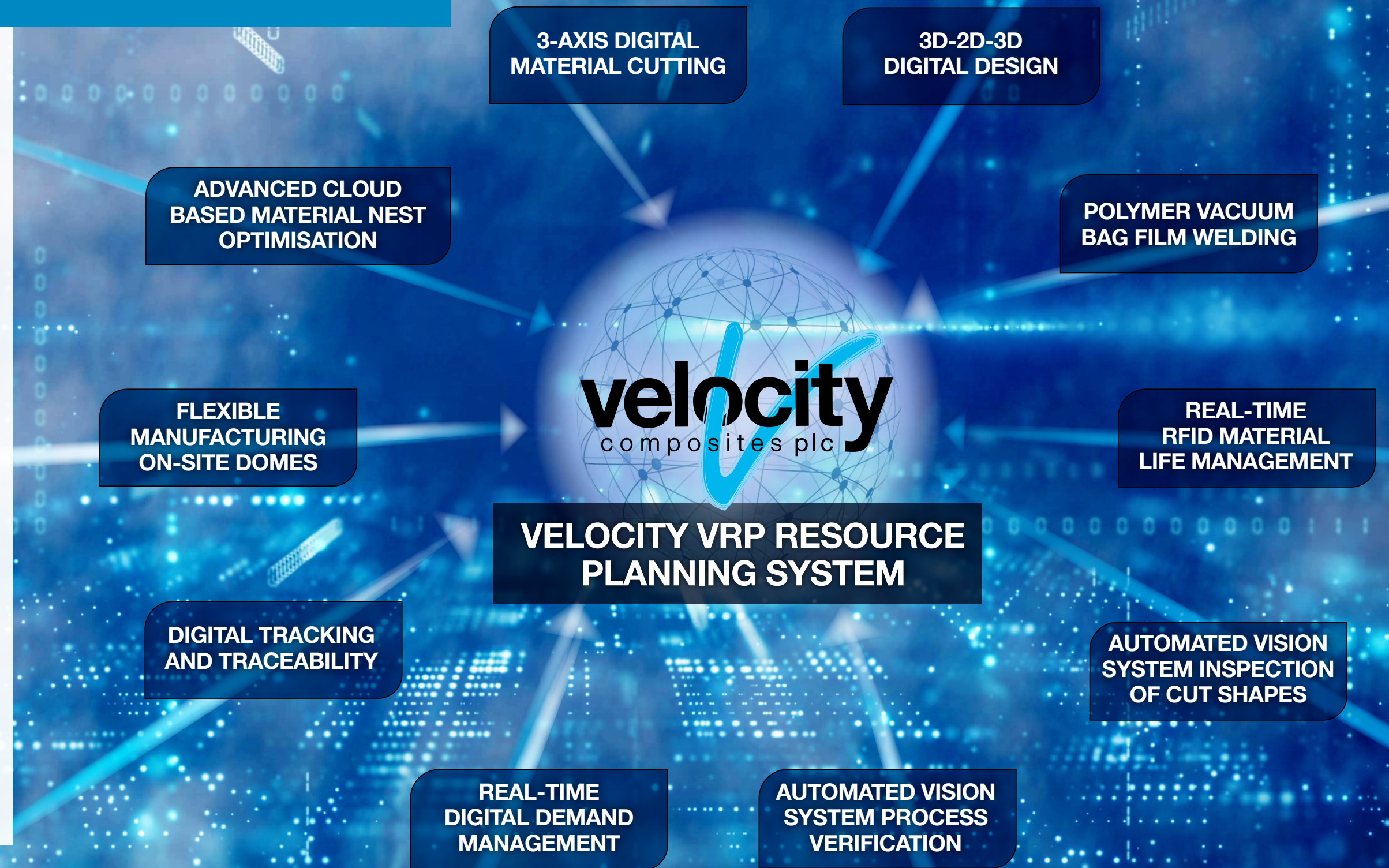
Business Development

- Proprietary technology, reducing customer manufacturing costs and enabling cheaper, lighter aircraft which to aid transition to carbon-free air travel
- Turn-key supply chain management, with global partners
- Partners reduce deployment costs, increase scale, enable high-level customer access, and reduce risk to Velocity
- New Accelerated Customer Benefits Proposal - win win
- Flexible Manufacturing Domes, delivering on-site or near-site supply solutions, with lower deployment costs
- Advanced Technology Development Centre to create and deliver innovative product solutions, keeping Velocity and its customers at the leading-edge
- Macro pressures accelerating the drive for further cost savings, which Velocity can deliver swiftly



Proprietary Technology Driving Growth

- Velocity's powerful proprietary technology is at the core of its unique proposition
- Proprietary nesting system, which optimises material utilisation, minimises waste and maximises productivity
- Real-time automated data, extracted from RFID freezer storage, cutting machines and inspection areas - maximises efficiency, minimise wastage and obsolescence, and ensures traceability until point of use by the customer



The US Opportunity



FLEXIBLE MANUFACTURING FACILITY EXAMPLE

- Addressable market estimated to be £450m-£475m, with c.20 potential customers
- Partnership approach key to unlocking larger opportunities - first strategic partnership with Incora (Wesco) progressing well
- Atlanta region identified for first Flexible Manufacturing in 2020 - expected to catalyse growth in this significant market, as potential new customers see its operational benefits
- Opportunities with additional Tier-1 manufacturers being progressed

The European Opportunity

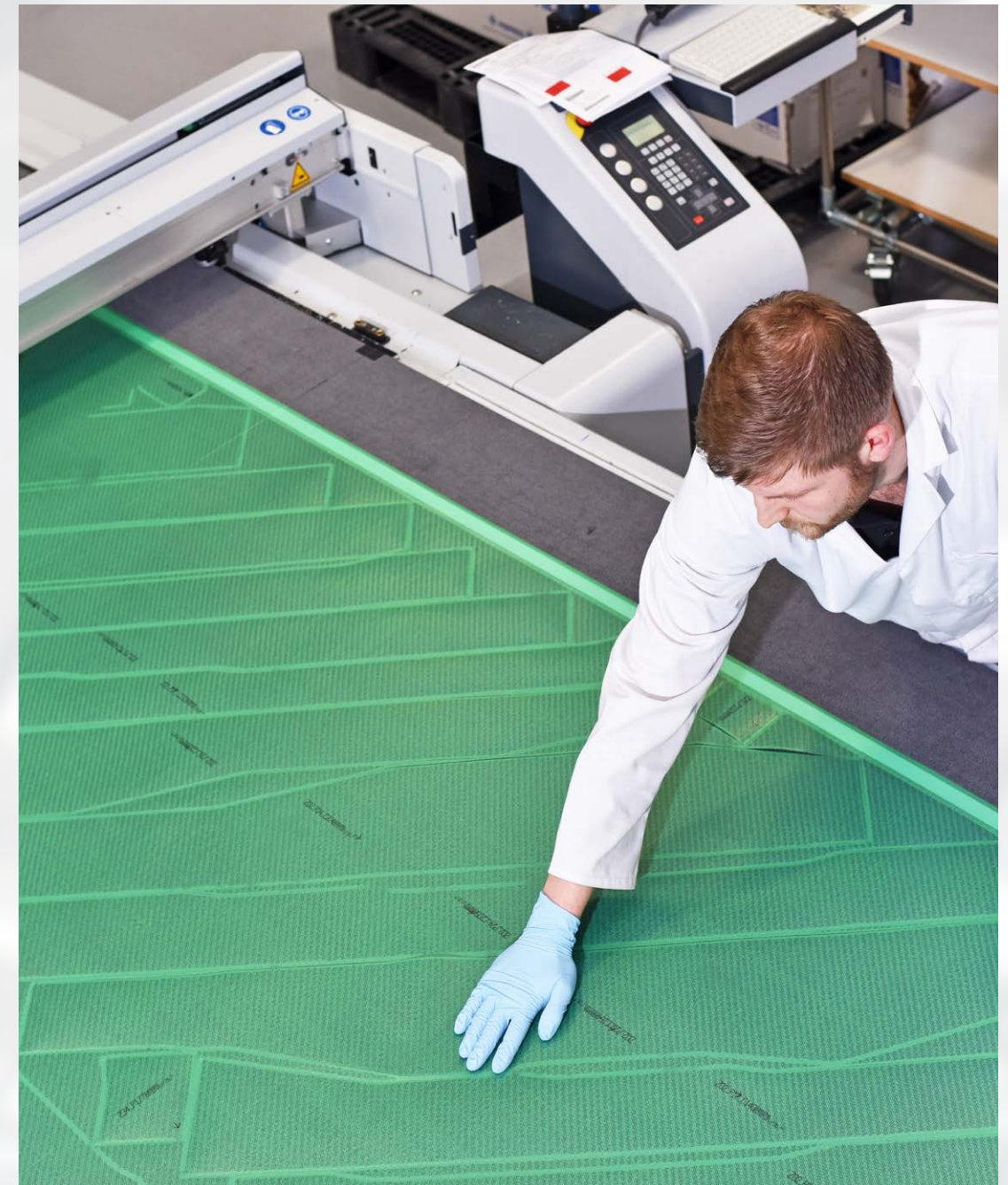


- Addressable market estimated to be £120m-£130m, with c.25 potential customers
- Continuing to work with Airbus and its supply chain partners
- New experienced Customer Programmes Director (known to Airbus), focused on driving new business development
- Strong relationships in the UK market, with global customers, providing references for Velocity's unique proposition
- Targeting increased volumes in the defence sector (F35), which has been impacted to a lesser extent by COVID-19 than civil aviation
- Actively working on a number of opportunities, including Airbus and other Tier 1s, with whom Velocity has existing relationship in UK

Financial Summary

- Revenue of £9.5m (H1 FY19: £12.2m)
- Gross margin of 20.5% (H1 FY19: 20.9%)
- Operating loss of £0.7m (H1 FY19: loss £0.4m after exceptional administrative expenses of £0.4m)
- Adjusted EBITDA¹ loss of £0.3m (H1 FY19: profit of £0.2m)
- Cash at Bank less Invoice Discounting at 30 April 2020 of £2.0m

¹ Adjusted EBITDA defined as earnings before finance charges, tax, amortisation, depreciation, share based payments, exceptional restructuring costs.



Summary



- Resilient model and robust financial liquidity position, with sufficient resources to withstand likely recovery scenarios
- Strong pipeline of opportunities – c.£30m
- Strengthened business development team, and refined customer “pitch”, showcasing the business case for Velocity’s cost-saving proposition
- Partnership with Incora (Wesco) in the US progressing well – primary bid includes deployment of flexible manufacturing dome on site
- Leadership of business strengthened radically, with a deep focus on the aerospace sector and composite supply-chain technologies
- UK Advanced Technology Development Centre near completion, to support growth ambitions and maintain competitive advantage

Leveraging opportunity to accelerate business growth as customers respond to Covid-19



Outlook



“The trajectory of our planned growth has, inevitably, been impacted by COVID-19, but our opportunities are undiminished. Velocity’s customer proposition is more relevant than ever in the new trading environment and the expected growth period afterwards.”

Appendices



The Board



Andy Beaden
Chairman



Jon Bridges
CEO



Rob Soen
Independent NED



Margaret Amos
Independent NED

- **Radically strengthened Board since July 2019**
- **Quoted company experience and highly relevant skills**
- **Strengths in finance, aerospace, manufacturing technology, global procurement, supply chain management**

Management Team



Jon Bridges
CEO



Darren Ingram
Operations Director



Matthew Archer
Commercial Director



James Eastbury
Customer Programmes Director

- **Strengthened team, appointment of Customer Programmes Director**
- **New CFO planned to start in August**
- **Deep focus on aerospace composites**
- **Bottom-up integrated business plan to deliver growth**
- **Swift action to take advantage of post-COVID opportunity – new Accelerated Customer Benefits Proposal**
- **Ongoing focus on operational excellence**

What do we do



Our mission is 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 helps customers reduce costs - this is more urgent than ever post- COVID, which has placed further cost pressures on aircraft manufacturers
- 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

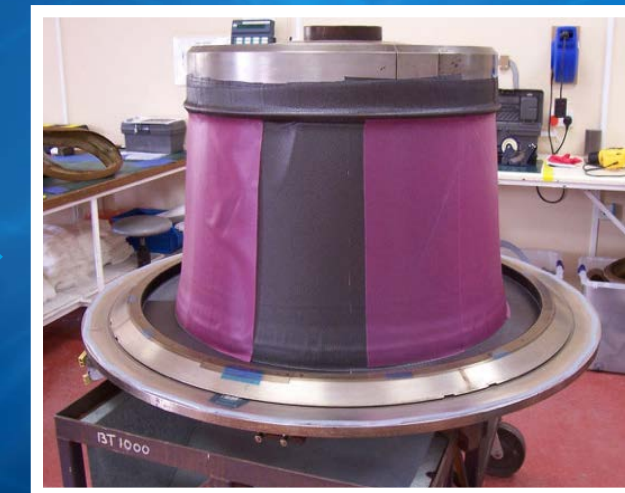
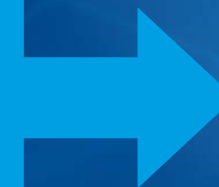
Velocity Process



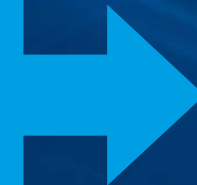
Raw Material



Structural Product



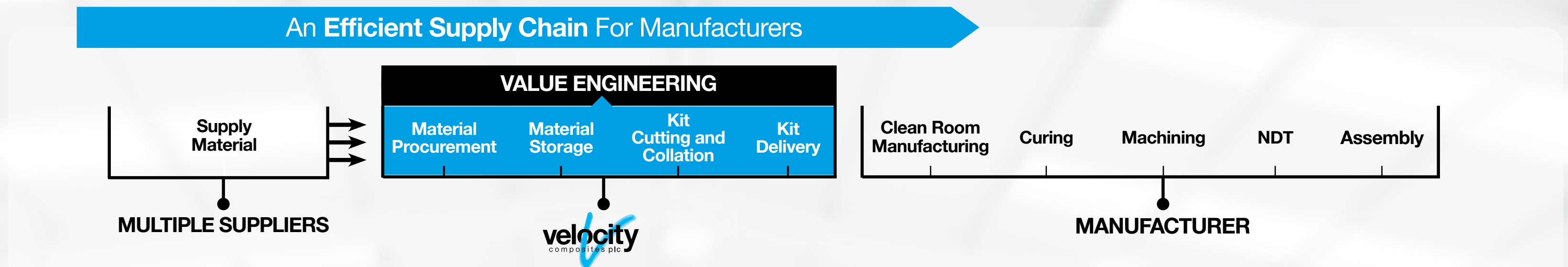
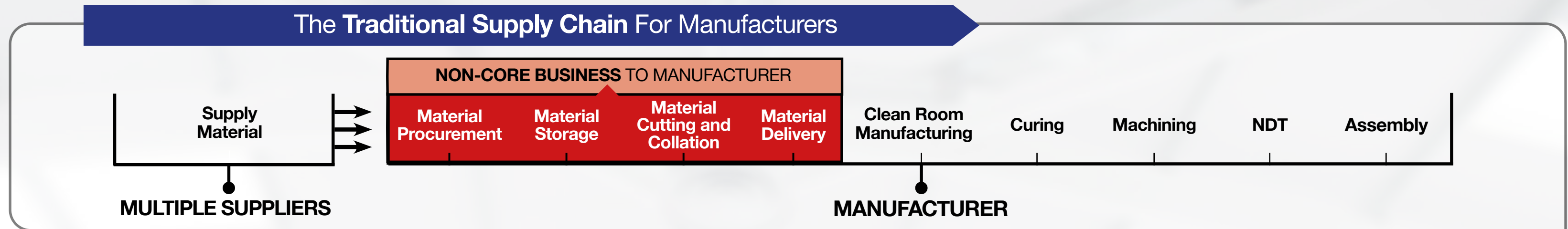
Vacuum Bag Product



Finished Part (1m diameter)

Saving > 10% material and > 20% time

Traditional vs Velocity's 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 point** of contact for customers, consolidating 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

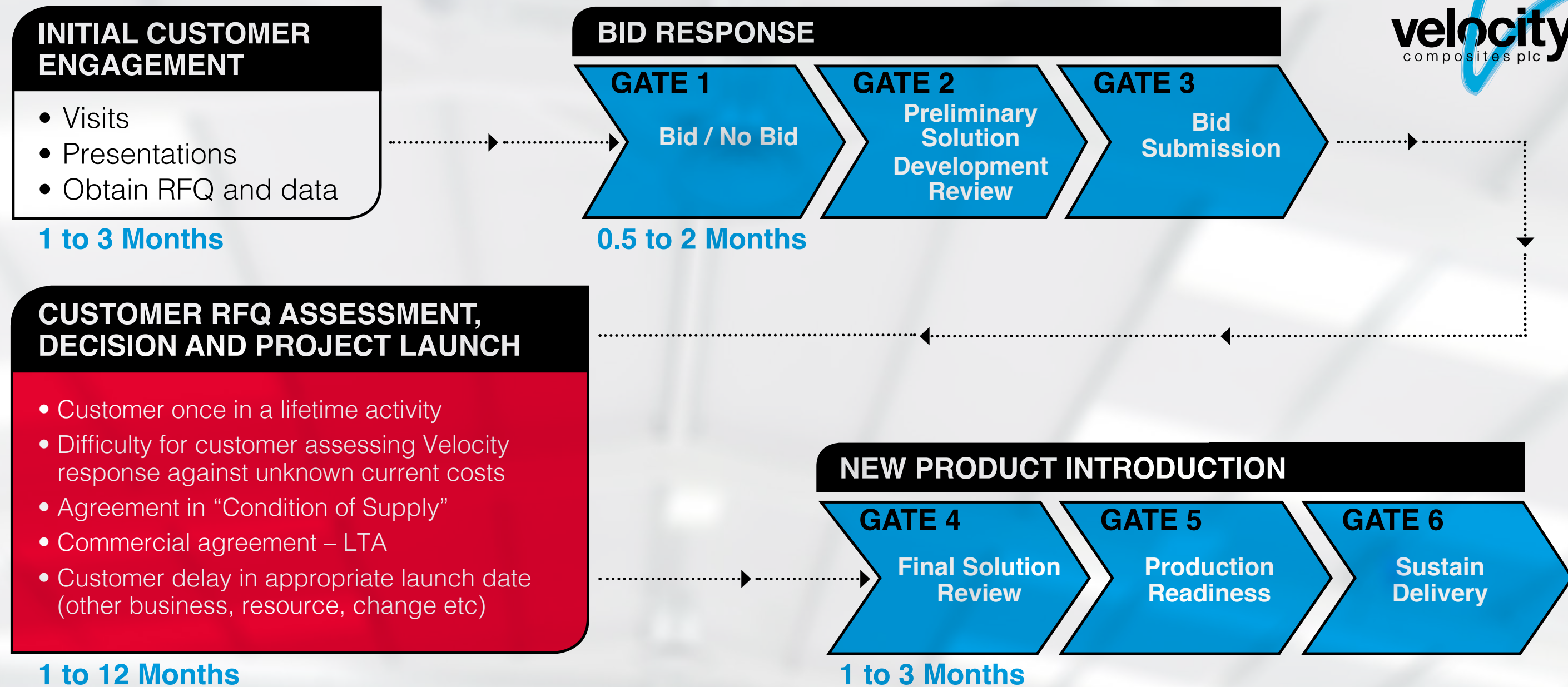


Savings made by customers using Velocity

- 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
- Increased need for Velocity's cost reductions in post-COVID market

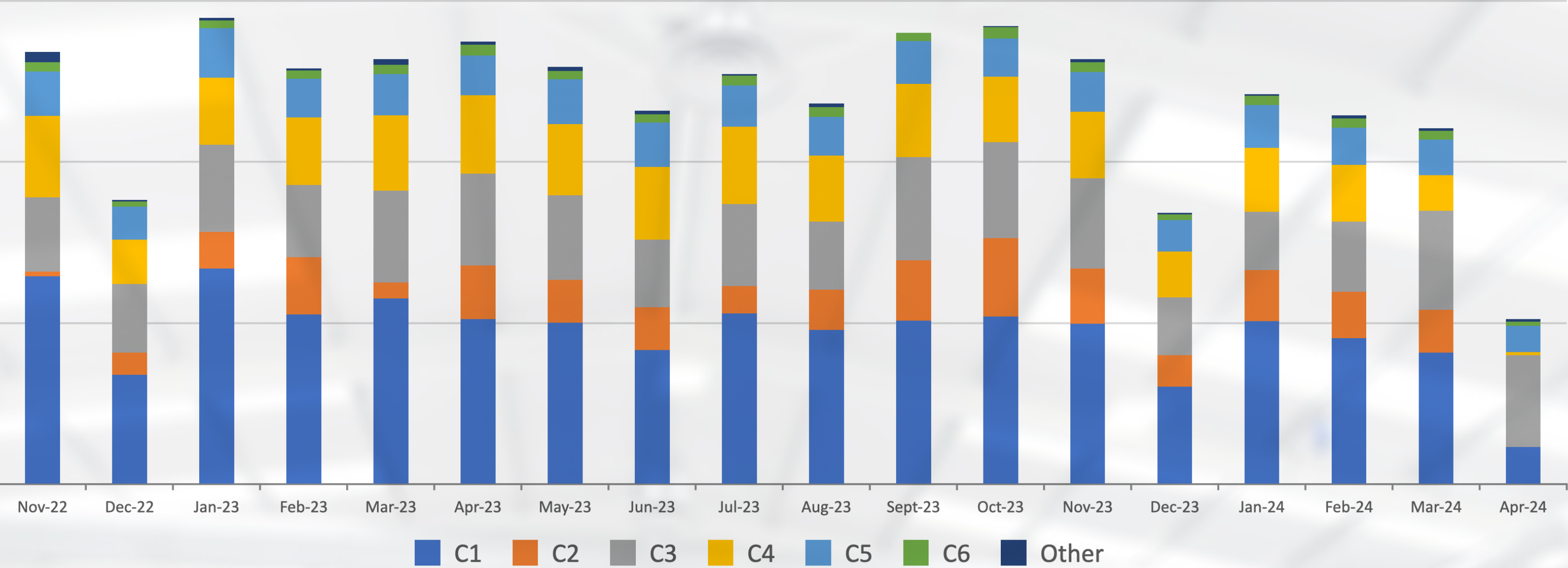


Customer Engagement Lifecycle

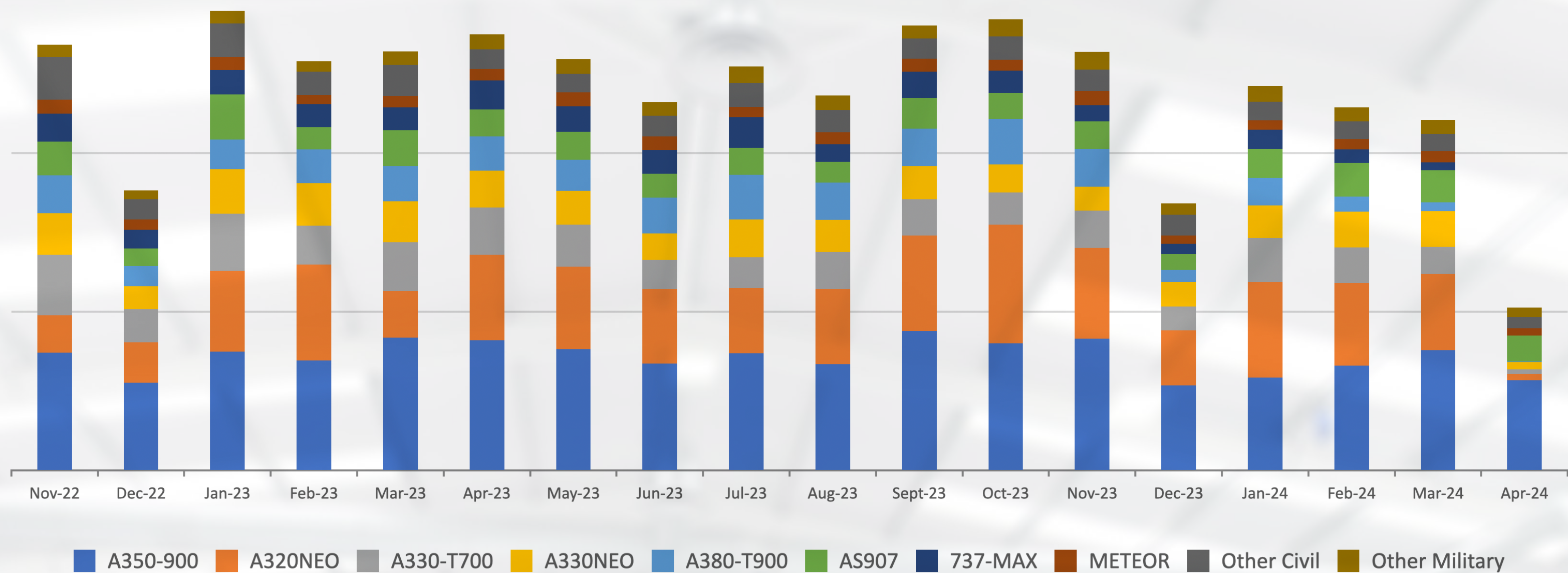


*Typical 18-24 month lifecycle

Revenue by Customer



Revenue by Aircraft Type



Income Statement

	HY 2020 £000	HY 2019 £000	FY 2019 £000
Revenue	9,502	12,243	24,316
Cost of sales	(7,558)	(9,679)	(19,047)
Gross profit	1,944	2,564	5,269
Admin Costs	(2,589)	(2,571)	(5,177)
Exceptional admin expense	-	(377)	(692)
Other income	-	4	6
Operating loss	(645)	(380)	(594)
Finance expense	(40)	(50)	(58)
Loss before tax	(685)	(430)	(652)
Adjusted EBITDA (loss)/profit*	(259)	280	613

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

- Revenue decline due to impact of COVID-19 and delay in 737 Max return to production
- Minor reduction in gross margin due to revenue mix (737 Max)
- Gross profit affected by lower revenue
- Admin costs unchanged
- Adjusted EBITDA* loss due to lower gross profit contribution

Balance Sheet

	HY 2020 £000	HY 2019 £000	FY 2019 £000
Non current assets	3,394	1,480	1,379
Current assets			
- Inventories	3,361	3,048	3,177
- Trade & other receivables	2,924	4,752	4,224
- Cash and cash equivalents	2,841	4,371	3,424
Current liabilities			
- Trade & other payables	2,699	4,389	3,223
- Net obligations under finance leases	436	144	121
Non current liabilities - Net obligations under finance leases	1,252	224	169
Net assets	8,133	8,894	8,691
Total equity attributable to equity holders	8,133	8,894	8,691

- Maintaining strong focus on cash collection overdue debtors remain low
- Stock increased temporarily to £3.4m (H1 FY19: £3.0m), as a result of immediate COVID-19 reduction in orders

Programme with customers to significantly reduce stock over the balance of 2020 was already in place but has now been accelerated

- Non-current assets –

IFRS 16 transition at start of FY20 - £0.5m

New building lease - £0.9m.

Leasehold improvements for new building and new cutting machines - £0.7m

Cash Flow

	HY 2020 £000	HY 2019 £000	FY 2019 £000
Operating loss	(618)	(430)	(636)
Depreciation & Amortisation	326	219	449
Other Operating Cash flows	32	107	90
Decrease/(Increase) in receivables	1,225	1,088	1,579
Decrease/(Increase) in inventories	(184)	(304)	(433)
(Decrease)/Increase payables	(1,331)	(392)	(1,363)
Cash generated from operations	550	288	(314)
Taxation	142	-	54
Purchase property, plant and equipment	(730)	(59)	(156)
Development expenditure capitalised	(28)	(52)	(89)
Proceeds from the sale of PPE	-	-	15
Finance costs	(39)	(50)	(58)
Decrease in Invoice discounting (ID)	807	(418)	(612)
Repayment of Finance Lease capital	(185)	(64)	(142)
Net decrease)/increase in cash & cash equivalents	(583)	(355)	(1,302)
Cash and cash equivalents at end of period	2,841	4,371	3,424
Net cash after deducting ID	2,030	4,173	3,420

- Inventories higher as a result Covid-19 impact
- Debtors - Reduced revenue impacted level
HY debtors position - being managed well
- Property, plant and equipment – largest expenditure on new building fitout and new cutting machines for US and R&D facility,
- Invoice discounting (ID) facility usage of £0.8m at 30 April

Consolidated Statement of Financial Position



As at 30 April 2020

	HY 2020 £000	HY 2019 £000	FY 2019 £000
Non-current assets			
- Intangible assets	281	350	318
- Property, plant and equipment	3,113	1,130	1,061
Current assets			
- Inventories	3,361	3,048	3,177
- Trade & other receivables	2,924	4,639	4,149
- Corporation tax	-	113	75
- Cash and cash equivalents	2,841	4,371	3,424
Current liabilities			
- Trade & other payables	2,699	4,386	3,223
- Grant income deferred	-	3	-
- Corporation tax	-	-	-
- Net obligations under finance leases	436	144	121

Consolidated Statement of Financial Position



As at 30 April 2020

	HY 2020 £000	HY 2019 £000	FY 2019 £000
Non current liabilities			
- Net obligations under finance leases	1,252	224	169
Net assets	8,133	8,894	8,691
Equity attributable to equity holders			
- Share capital	90	90	90
- Share premium	9,727	9,727	9,727
- Share-based payments reserve	559	534	537
- Retained earnings	(2,243)	(1,457)	(1,663)
Total equity	8,133	8,894	8,691

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