



Investor Presentation

Full Year Results
For the year ended 31 October 2023



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Presentation Team



Andy Beaden

Non-Executive Chairman

Andy has over 30 years experience in finance, technology and manufacturing. A Chartered Accountant and economist by training, originally with KPMG and also having worked for two FTSE 100 companies, he is also a Fellow of the RSA (Royal Society for the encouragement of the Arts, Manufactures and Commerce). He was the CFO of the multi-sector material science business Luxfer, leading a secondary buyout in 2007 and then listing it on the NYSE in 2012.

He also co-founded and is Chairman of IN4.0 Group, a digital technology consultancy and training business and largest provider of AWS training bootcamps in the UK.



Jon Bridges

CEO

Jon co-founded Velocity in October 2007. Jon has over 31 years' experience within the advanced composites industry and is an experienced composite engineer. Previously, Jon was an Aerospace and Lean Solutions Specialist at Cytec Process Materials where he was responsible for direct sales support of UK and European based clients.

From 2003 to 2005 Jon was a manufacturing engineer for Safran Nacelles where he was responsible for the manufacturing function for a growing, highly loaded aerospace unit supplying multiple assembly lines.



Andrew Hebb

Interim Chief Financial Officer

Andrew has been a professional interim CFO for several AIM quoted and private companies across a range of sectors since 2009. Prior to that, as CFO, Andrew helped build Hedra Plc into a major public sector consulting business and managed the sale process in 2008. He has held CFO and operational roles in other major UK companies. Andrew is a qualified Fellow Chartered Management Accountant.

FY23 Highlights



- Business has grown 37% from £12.0m in FY22 to £16.4m in FY23, this includes \$2.0m of maiden US sales
- Award of new contract for entry into US market with \$100m – 5-year agreement
- Fit-out and opening of new facility in Alabama
- Successful knowledge transfer from UK to US teams
- Approvals obtained and high-volume production sustained, continuing into FY24
- 65% of FY24 US sales programmes are at full rate production
- Margin impacted by US ramp up and inflation lag
- Successful fundraise in August 2023 delivered to secure existing programme delivery and new business development
- Underlying contracted forward order business now at c£33.0m for FY25 (excluding new business wins)

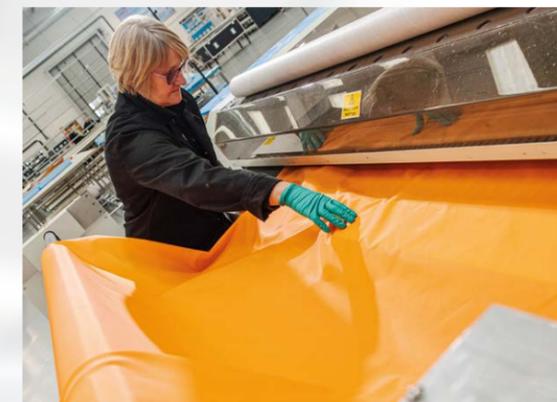
US Facility – Progress with launch customer

- Regulated transfer process commencing in line with market update (July 2023)
- Total of 1,047 kits to First Article Inspection (FAI) for entire project to transfer to Velocity
- 65% of FY24 US revenue has completed FAI and is under full rate production
- 32% of FY24 US revenue under various stages of FAI, of which:
 - 8% of US revenue (197 kits) has OEM approval and is being cut and tested now
 - 25% of US revenue (only 80 kits) is completing OEM approval, has paperwork prepared and will complete FAI by April 2024
- FY24 pricing agreed and implemented
- Production currently running two shifts / five days with 3 machine production cells
- Final programme scheduled for transfer (3% of FY24 revenue) transitioned to service charge format, protecting gross margin
- Full rate production in FY25 expected to generate £16.7m of US revenue



FY24 Focus

- Implement new pricing agreement with existing customer by Q3/24 to mitigate inflation lag. All contracts will then allow for annual inflation review (100% already contain material price flow through agreement)
- Complete FAI and production ramp up of remaining US launch customer programmes
- Complete recruitment of a proven CFO with AIM experience
- Continue new business pipeline focused on:
 - Additional business with existing European customers
 - Winning new business with new customers in US
- FY24 current contracted revenue expected to be in the range of £27m - £30m. Revenue could be higher than £27m with any new business contracted
- Increase of 65% on FY23 revenues and cash generative



Financial Summary

	FY 2023 £000	FY 2022 £000
Revenue	£16.4	£12.0m
Gross margin	18.8%	23.0%
Adjusted EBITDA*	£(1.6)m	£(0.5)m
Cash at bank	£3.2m	£2.3m
Capital expenditure	£1.3m	£0.3m

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

- Sales increase of 37% compared to FY22
- Margin of 18.8% due to investment into US production facility (underlying excluding US costs is 21.8%).
- EBITDA loss (£1.6)m (FY22: (£0.5)m) reflects combination of lower margin due to US site volumes and higher admin costs largely relating to US site
- Fundraise net of costs £6.1m used to fund the investment in US site, people and working capital.

Summary Income Statement

	FY 2023 £000	FY 2022 £000
Revenue	16,411	11,959
Cost of sales	(13,325)	(9,213)
Gross profit	3,086	2,746
Administrative costs	(5,903)	(4,063)
Operating loss	(2,817)	(1,317)
Finance expense	(326)	(187)
Loss before tax	(3,143)	(1,504)
Adjusted EBITDA*	(1,606)	(452)

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

- Sales increase of 37% with UK sales increase of 20% and US contributing maiden sales of £2.0m. Additional volume has generated a gross profit of £3.1m, £0.4m ahead of the £2.7m achieved in FY22.
- Reduction in Gross Margin percentage to 18.8% (FY22: 23.0%) due to the impact of start up operation in the US and low volume production. UK margin maintained compared to prior year.
- Administrative costs have increased by £1.8m to £5.9m due mainly to US site costs.
- The above has driven an EBITDA loss of £1.6m (FY 2022: loss £0.5m).
- The business is now in an excellent position to deliver the US growth without a linear increase to the overhead base

Summary Statement of Financial Position

	FY 2023 £000	FY 2022 £000
Non-current assets	5,114	3,541
Inventories	2,743	1,407
Trade and other receivables	3,667	2,521
Tax receivable	-	-
Cash and cash equivalents	3,178	2,344
Current assets	9,588	6,272
Loans	503	503
Trade and other payables	4,587	2,207
Obligations under finance leases	487	405
Current liabilities	5,577	3,115
Non current liabilities	2,557	3,298
Net assets	6,568	3,400
Total equity attributable to equity holders	6,568	3,400

- Increase in non-current assets of £1.6m driven by investment in technology and the development of the US manufacturing facility.
- Inventory management remains a key focus and the £1.3m increase reflects both the increased volume, together with a need to mitigate risks of supply chain disruption.
- Trade debtors are tightly controlled resulting in similar debtor days FY23: 71 days (FY22: 68 days).
- Payable increase partly US, offset by increase in Inventory.
- Non-current liabilities comprise CBILs £1.0m (FY22: £1.5m) and obligations under finance leases £1.6m (FY22: £1.8m). Repaid £1.0m during financial year.

Summary Statement of Cash Flows

	FY 2023 £000	FY 2022 £000
Operating cash flows	(1,730)	(490)
Movements in working capital	(102)	260
Cash (outflow)/inflow from operations	(1,832)	(230)
Tax received	-	510
Cash inflow from operating activities	(1,832)	280
Cash used in investing activities	(2,122)	(356)
Cash used in financing activities	4,788	(1,056)
(Decrease)/increase in cash	834	(1,132)
Cash at 1 November	2,344	3,476
Cash at 31 October	3,178	2,344

- Working capital movement of £(0.1m) (FY22 £0.3m)
- £2.1m invested in US business development and technology, of which £1.3m property, plant & equipment
- £1.0m utilised to repay CBILs and finance lease obligations
- Overall the net cash position has increased with additional headroom through IDF facility:

	FY 2023	FY 2022
Cash	3,178	2,344
CBIL loan	(1,473)	(2,009)
IDF	(68)	(175)
Net cash	1,637	160

Summary



- **37% revenue growth in FY23, including £2.0m of maiden revenue in the US**
- **New US facility at full rate production on 65% of FY24 programmes, remaining programmes will reach full rate production in FY24**
- **Successful fundraise delivered in FY23 to support investment in new business and working capital**
- **Senior team strengthened in key roles of COO and Interim CFO**
- **Contracted FY24 revenues expected to be in the range of £27.0m - £30.0m**
- **Key new business opportunities in UK and US**
- **Contracted FY25 revenue expected to be £33.0m (excluding any new business wins)**





Appendices

Experienced Board and Senior Management



Andy Beaden
Non-Executive Chairman

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



Jon Bridges
Chief Executive Officer

Jon has 31 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.



Andrew Hebb
Interim Finance Director

Andrew was CFO and Company Secretary between November 2018 and August 2020.

Andrew has been a professional interim CFO for several AIM quoted and private companies across a range of sectors since 2009.



Annette Rothwell
Non-Executive Director

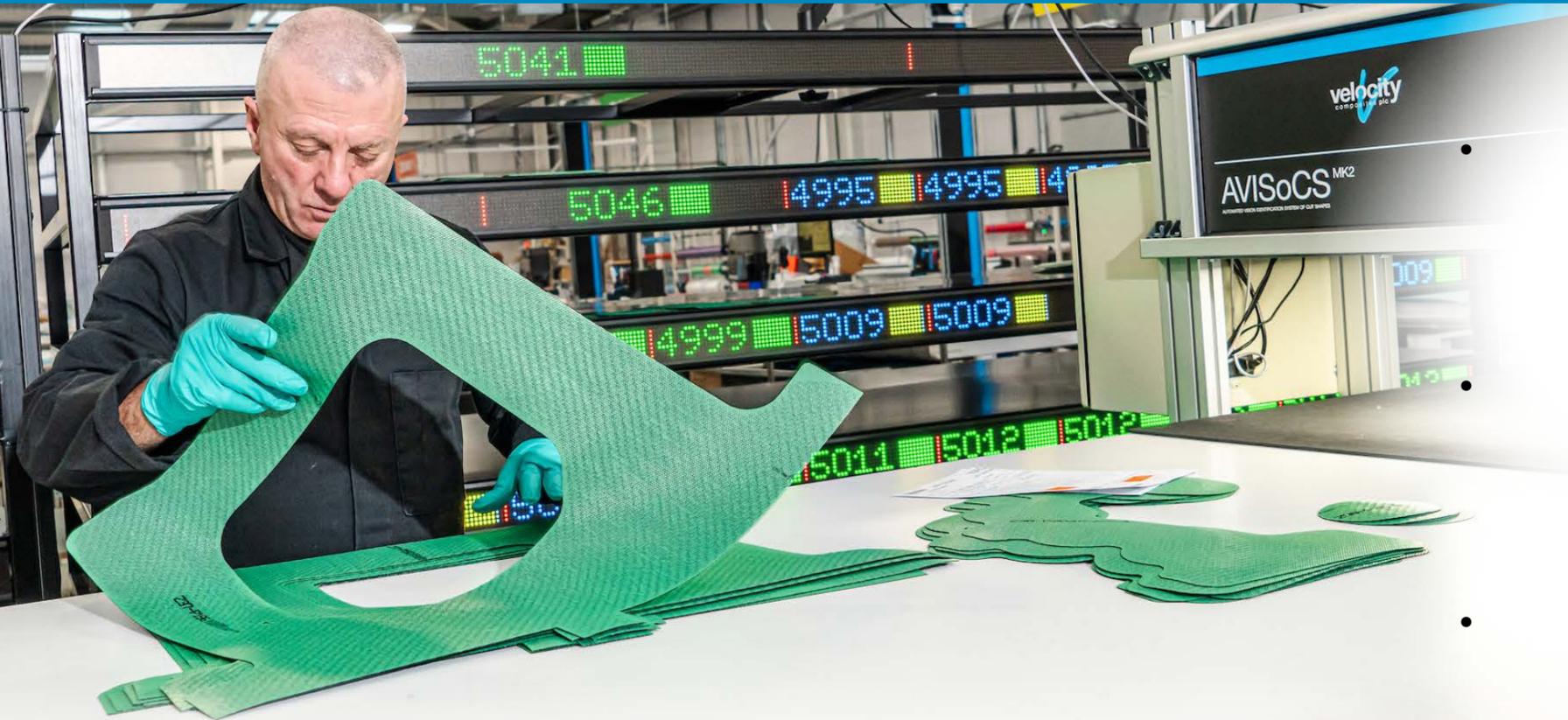
Annette has extensive experience in industries undergoing transformational change. Since 2011, she has served as a director on the board of the Midlands Aerospace Alliance, the regional body for the Aerospace, Defence and Security industry. She has held a number of senior aerospace roles with global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

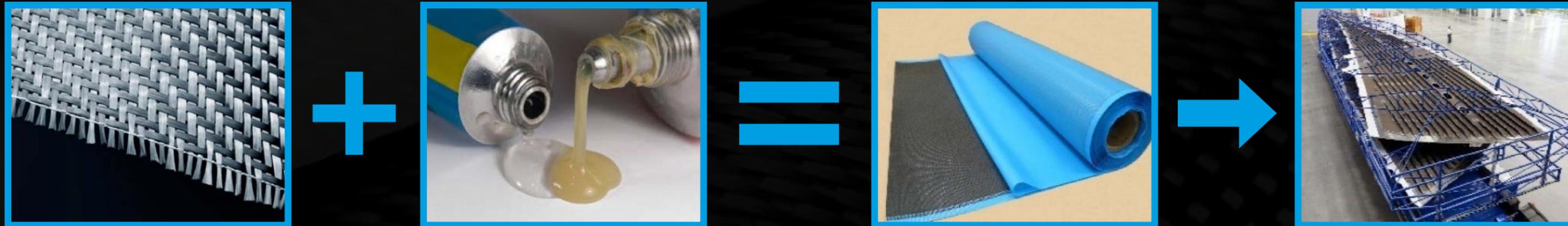
Investment Case



- **VELOCITY COMPOSITES PLC** is an established business which delivers real benefits to large aerospace manufacturers by using proprietary digital technology to manage and remove waste from the complex raw material supply chain
- **FIRST TO MARKET** We are the only company to provide a complete outsourced solution to composite aerostructure manufacturers.

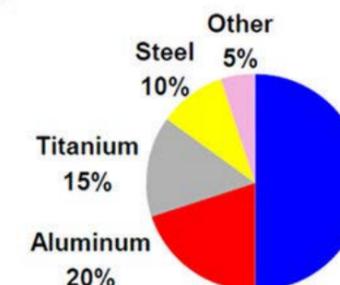
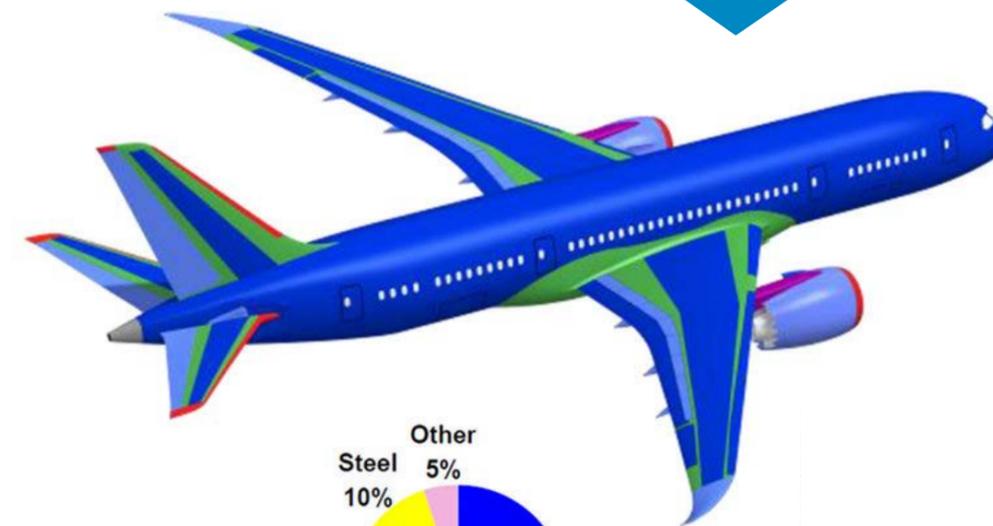
- **HUGE MARKET GROWTH** Aerospace industry currently spends \$6.5bn per annum on composite materials. Projected tenfold increase of composites within aircraft by 2041 to meet net zero.
- **OUR SOLUTIONS ARE NECESSARY TO THE AEROSPACE INDUSTRY** If the aerospace industry is to meet its projections it needs our solutions to reduce costs and accelerate production rates
- **PROFITABILITY EXPECTED IN H2 FY2024** with enough contracted business that at full production rates means in 2024 will move from a loss to a profit
- **REVENUE INCREASES 2.5x to 3.0x BY 2024** Industry players are coming to us. Contracted revenue for 2024 of £27.0m (2022: £12.0m; 2023: £16.4m)
- **5 YEAR REVENUE TARGET OF £100M WITH 10% EBITDA** Highly qualified pipeline of \$250.0m. Existing facilities could support up to £70.0m annually. Further scaling up to be funded through future cash generation. 25% return on capital and 25% gross margin.

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
- Material has a shelf life until cured

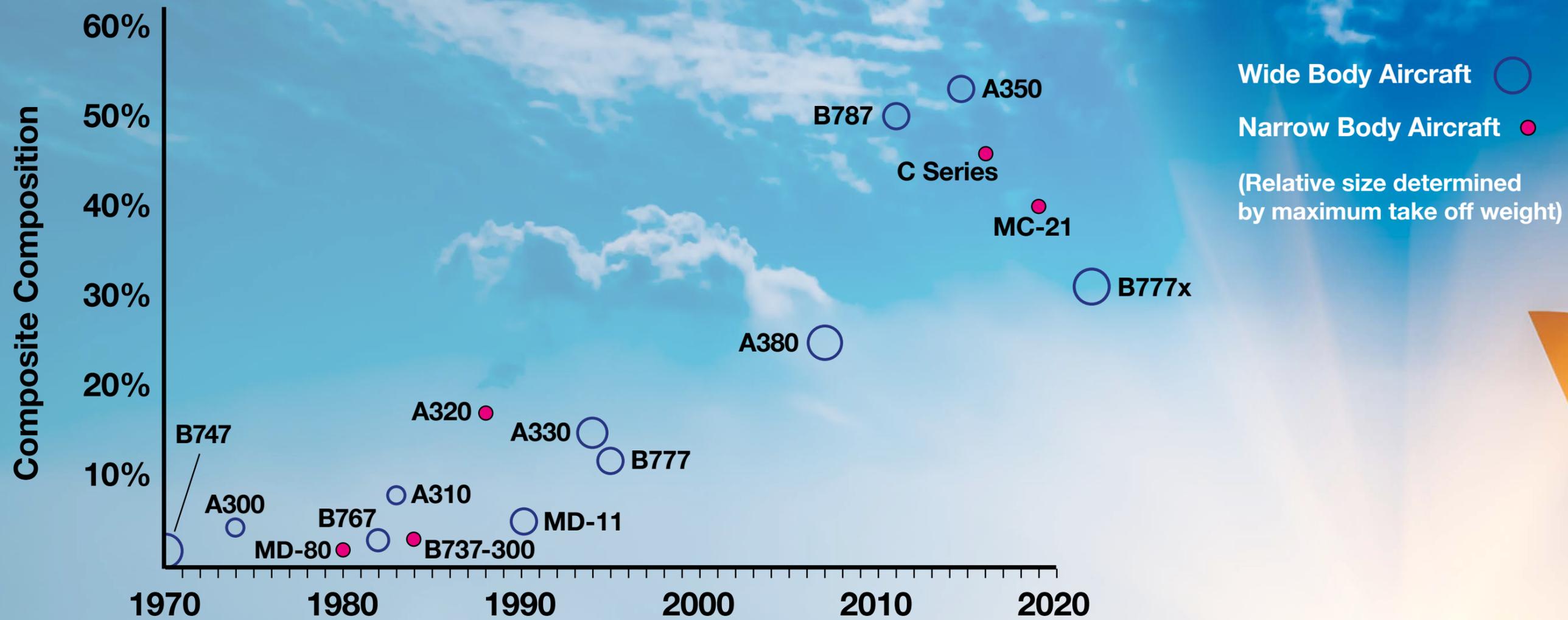
COMPOSITE USE IN AIRCRAFT



COMPOSITES
← 50%

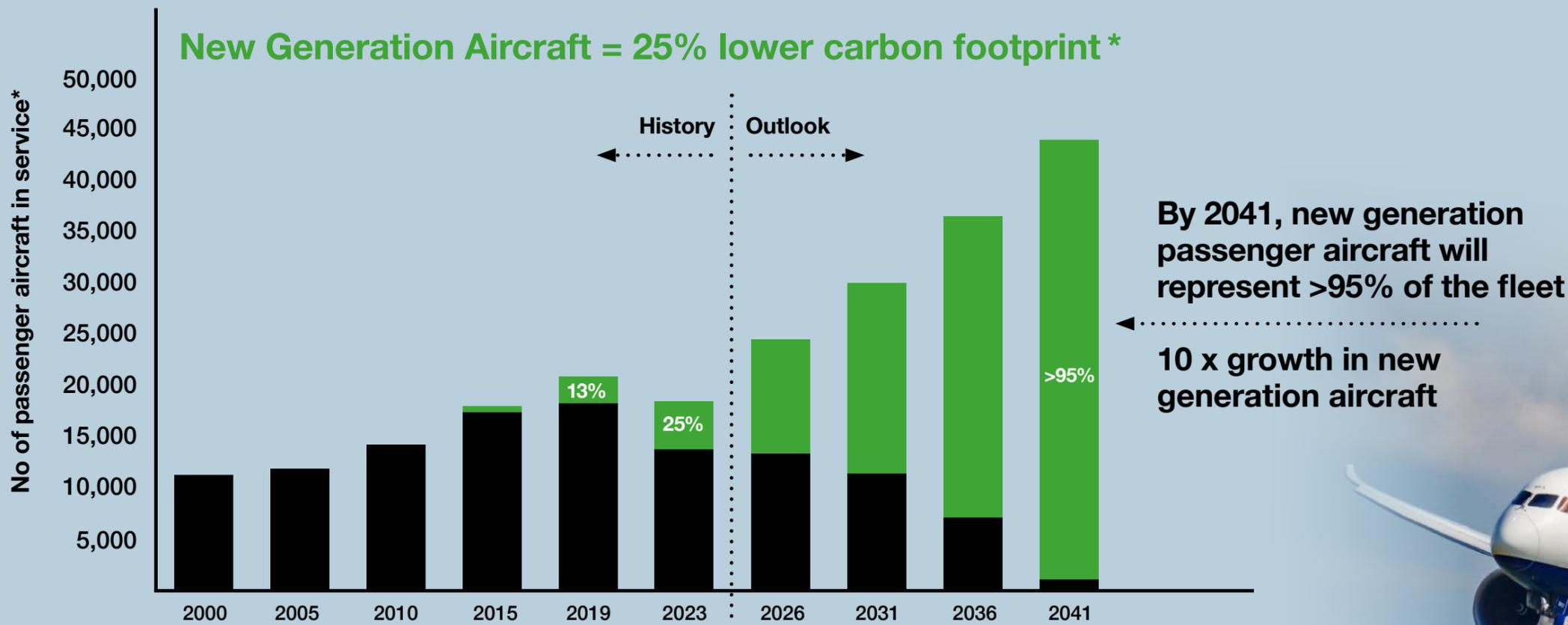
- Carbon laminate
- Carbon sandwich
- Other composites
- Aluminum
- Titanium
- Titanium/steel/aluminum

Composite Content per Aircraft



Sustainability Driving Growth

- Composites play an important role in light weighting all new aircraft platforms, civil and defence
- 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
- Velocity customers need to do more-for-less to meet the production rate increases of aircraft. Outsourcing is easier when aircraft production rates are increasing



- 1st** (e.g. 727) + 2nd** (e.g. MD80) + previous generation** (e.g. A320ceo) aircraft
- NEW GENERATION** AIRCRAFT

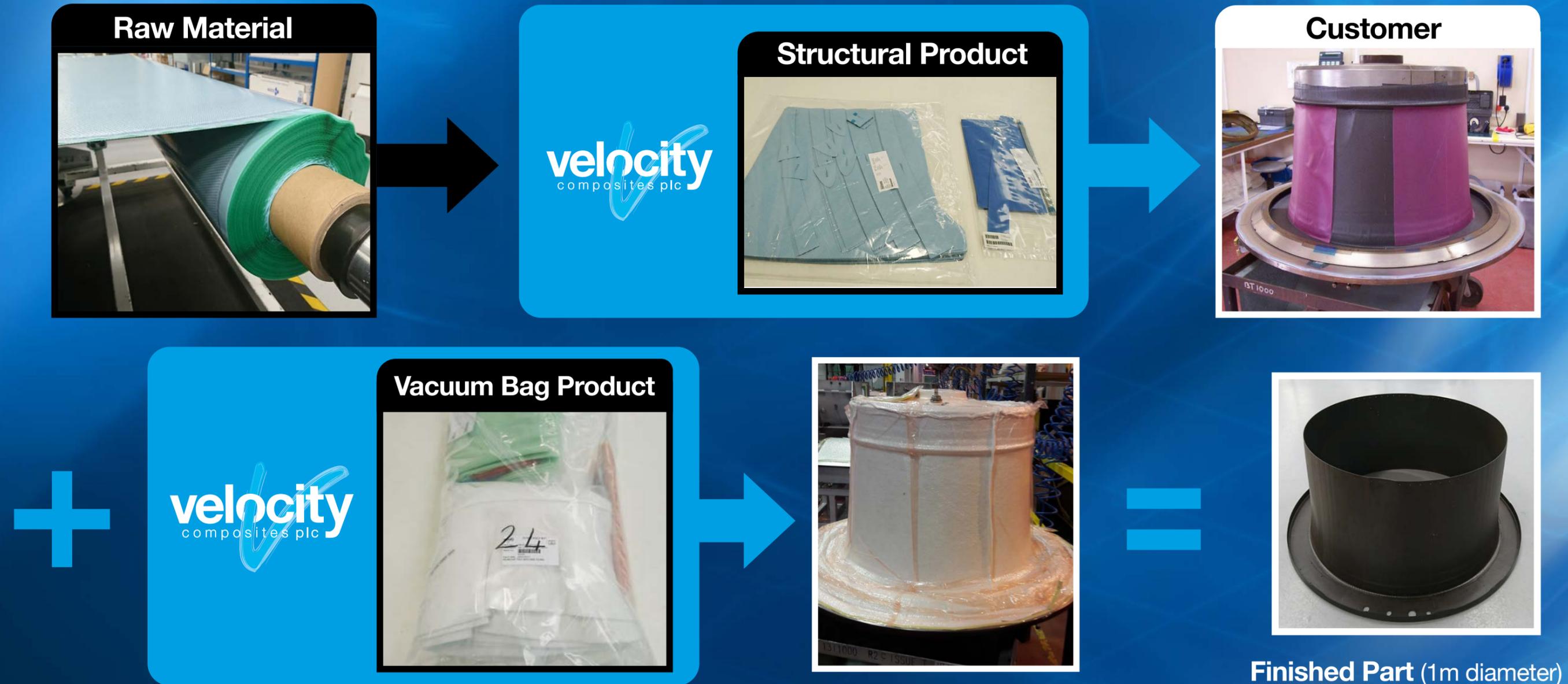
	CURRENT VELOCITY PROGRAMMES	POTENTIAL PROGRAMMES
AIRBUS	A220, A320NEO, A330NEO, A350	Any future programmes
BOEING	737MAX, 787	777X plus any future programmes

* Western built passenger aircraft above 100 seats – pax aircraft only / **1st generation: A300, DC 9, DC10, 707, 727, 737, 747 / 2nd generation: A310, MD11, MD80, MD90, 737, 747 / Previous generation: A320 Fam., A330, A340, 717, 737NG, 747, 777 / New generation: A220, A320neo Fam., A330neo, A350, A380, 737Max, 777X, 787 & new programs

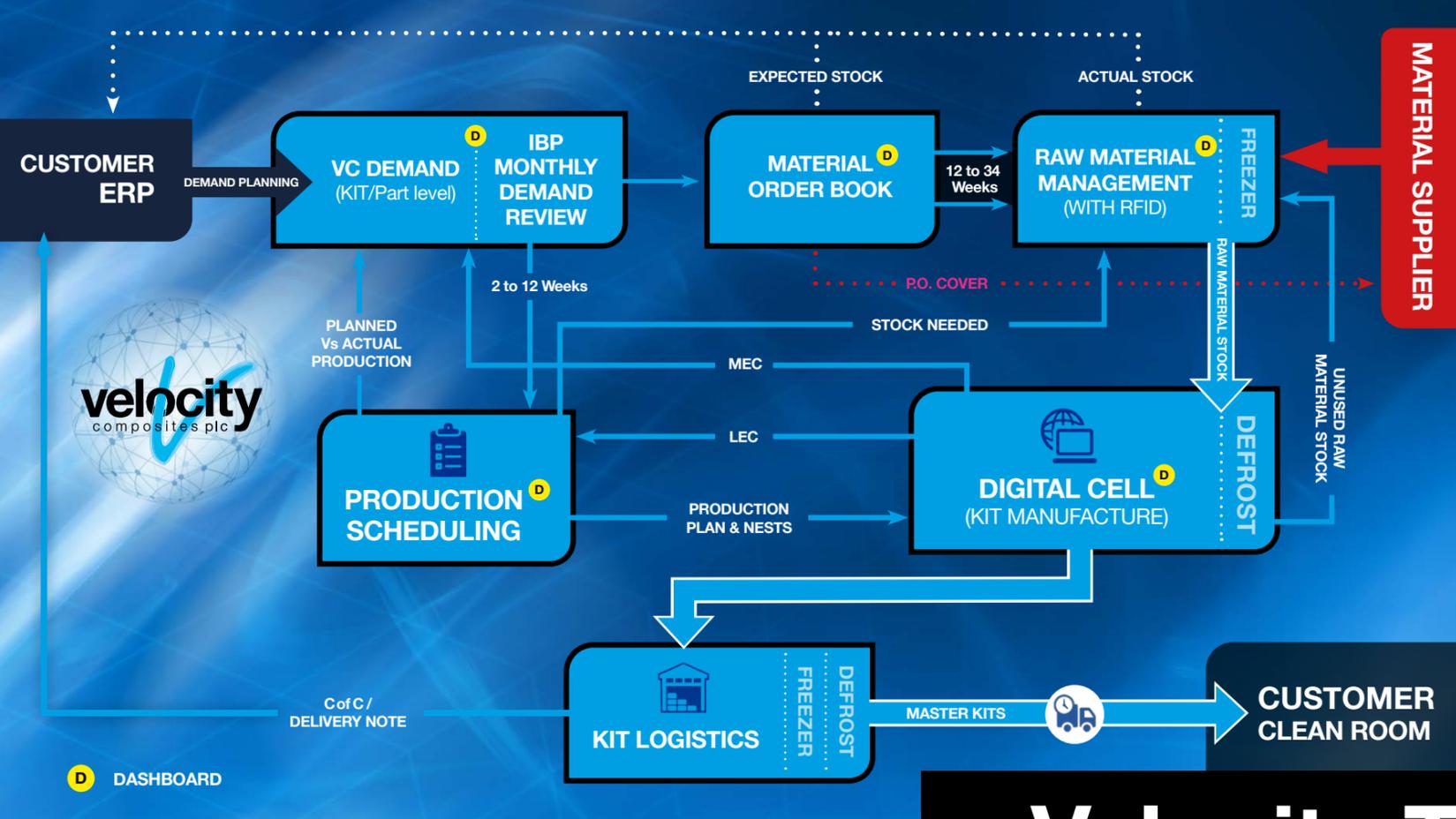
Source: Airbus, Global Market Forecast '22 (www.airbus.com/sites/g/files/jlcbta136/files/2022-07/GMF-Presentation-2022-2041.pdf)
 2023 figure Global Market Forecast '23 (www.airbus.com/en/products-services/commercial-aircraft/market/global-market-forecast)



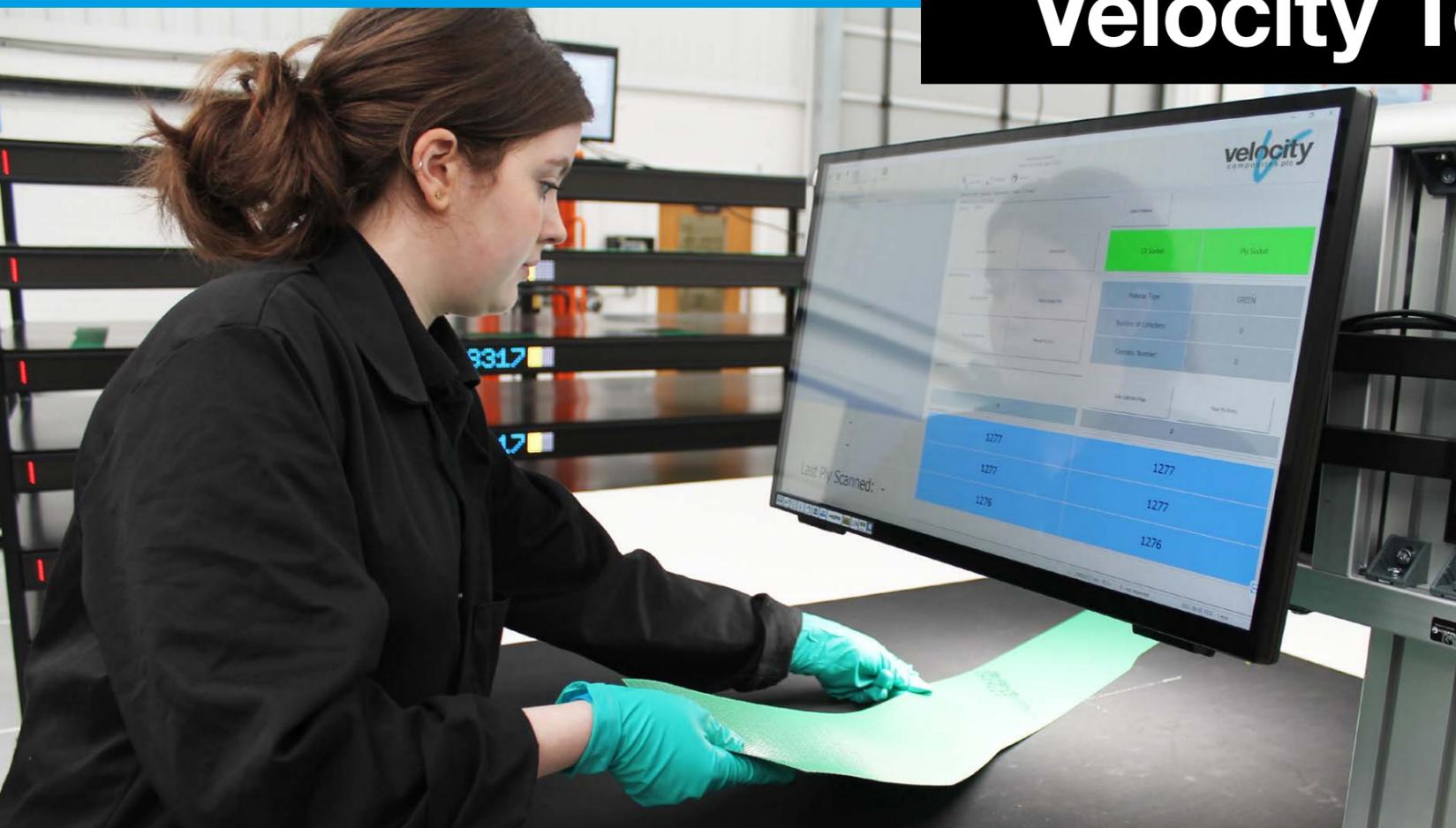
The Velocity Solution



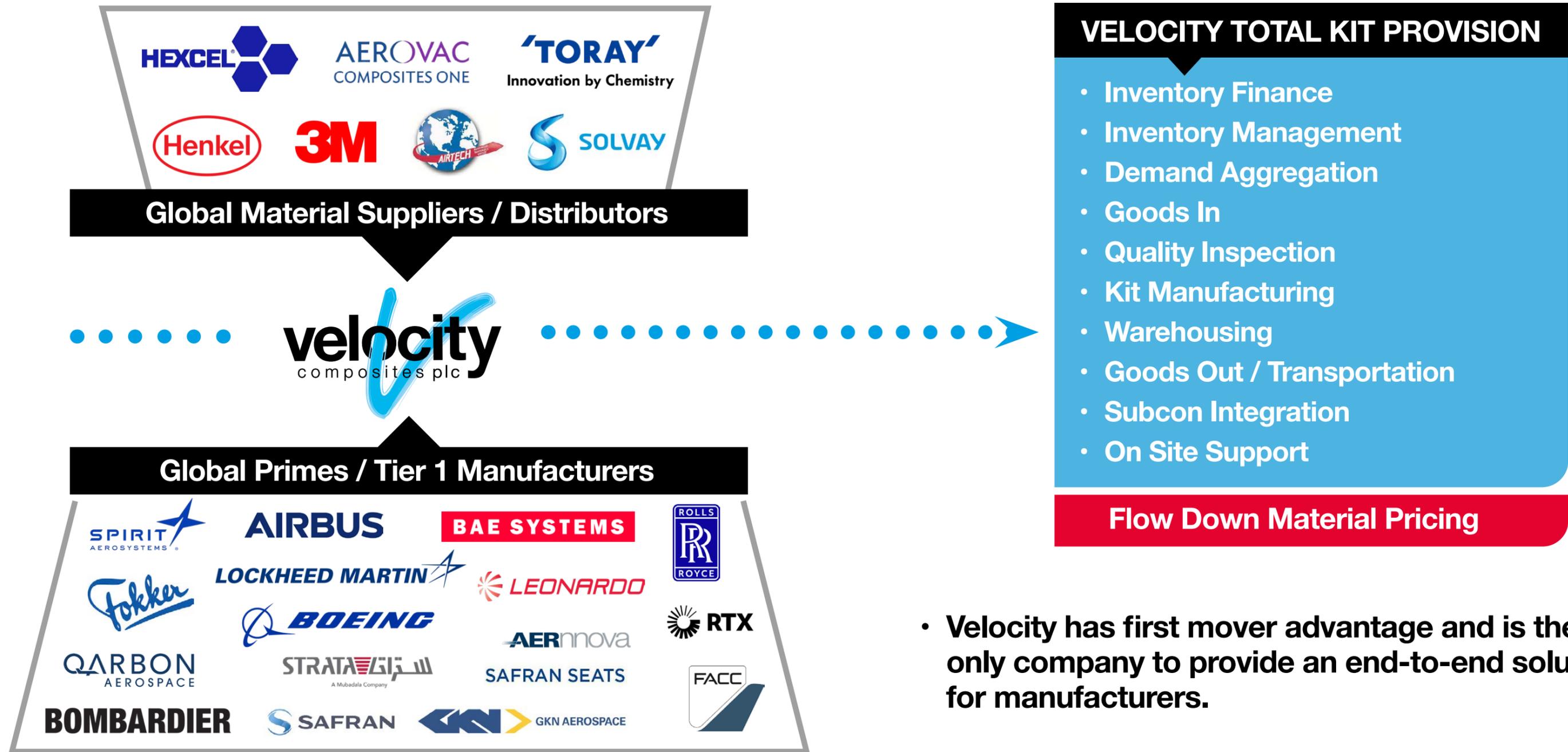
Aimed at providing at least 10% material cost saving and 20% time cost saving to customers



Velocity Technology



Where Velocity sits in the Global Composites Industry



Market and Growth Opportunities



Aerospace global market is \$6.5bn pa

Current Contracted Business

\$36m - \$43m
Annually

Current 3 Facilities Support

\$85m
Annually

Potential Pipeline

\$250m
Annually

**Near term growth supports 10% EBITDA and 25% return on capital
Expected to fund further investment through profits**

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

Customer	Estimated Annual Opportunity (\$m)
Qarbon	Circa \$25m
Safran (Additional)	Circa \$25m
GKN (Additional)	Circa \$25m
RTX	\$50m +
Boeing (all US Sites)	\$50m +
Gulfstream	Circa \$20m
Spirit	\$100m +

European Site: Current & Potential Customers

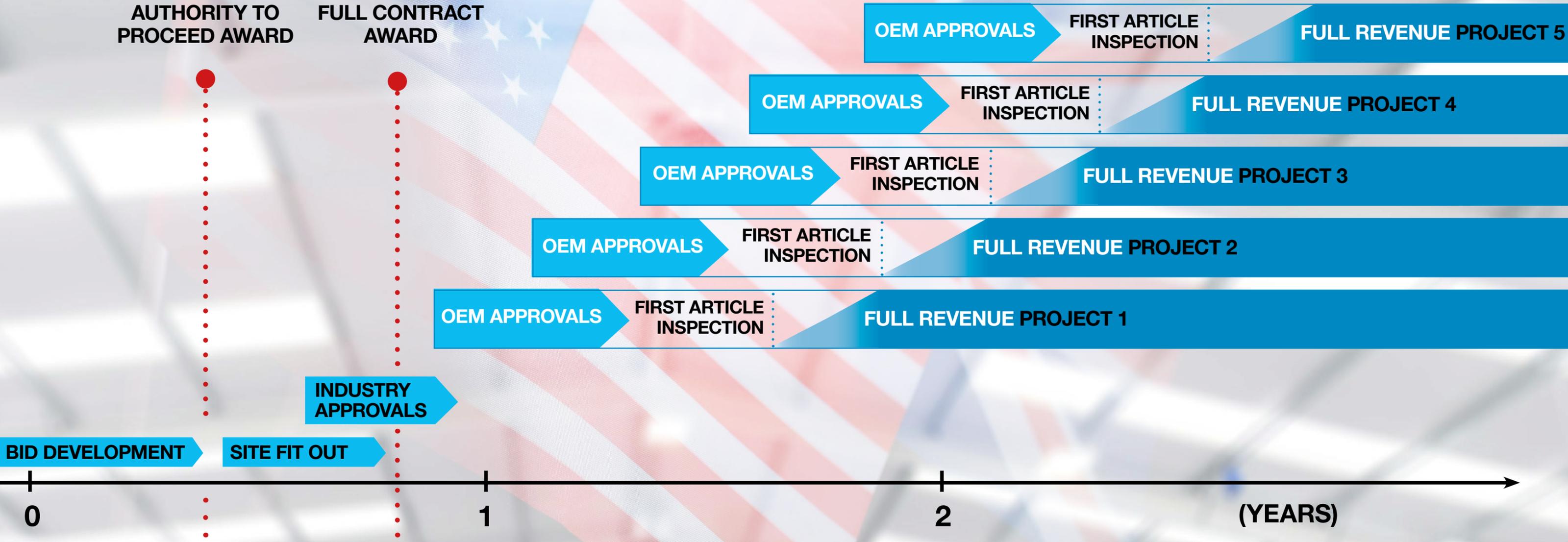


- Potential Customers
- Current Customers

Velocity's North American Site and Current & Potential Customers



Regulated Bid and Work Transfer Process



Regulated project transfer is complex leading to long term partnerships with customers

Why Invest Now?

- First to market
- 10x market growth by 2041
- Profitability expected in H2 FY2024;
Revenue increases 2.5x to 3.0x by 2024
- Funding for £70m capacity secured
- 5 year revenue target of £100m with 10% EBITDA
- Sticky, high-quality customers

“Velocity Composites has put into effect a clear strategy to capitalise on the significant growth in the use of composites within aerospace. Manufacturers need to outsource non-core processes and reduce costs to meet demand. They are now approaching us for our solutions, leading to a current qualified pipeline of \$250m ”

Jon Bridges, CEO, Velocity Composites



velocity

composites plc

revolutionising composite manufacturing

