

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

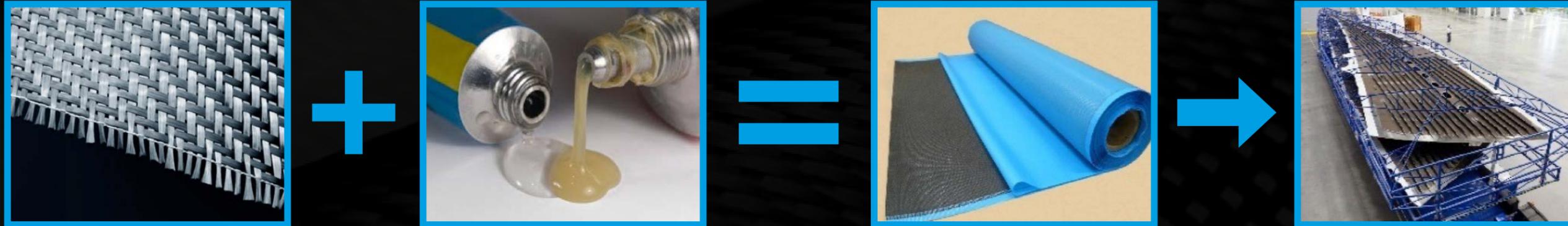
Digitisation

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

Efficiency

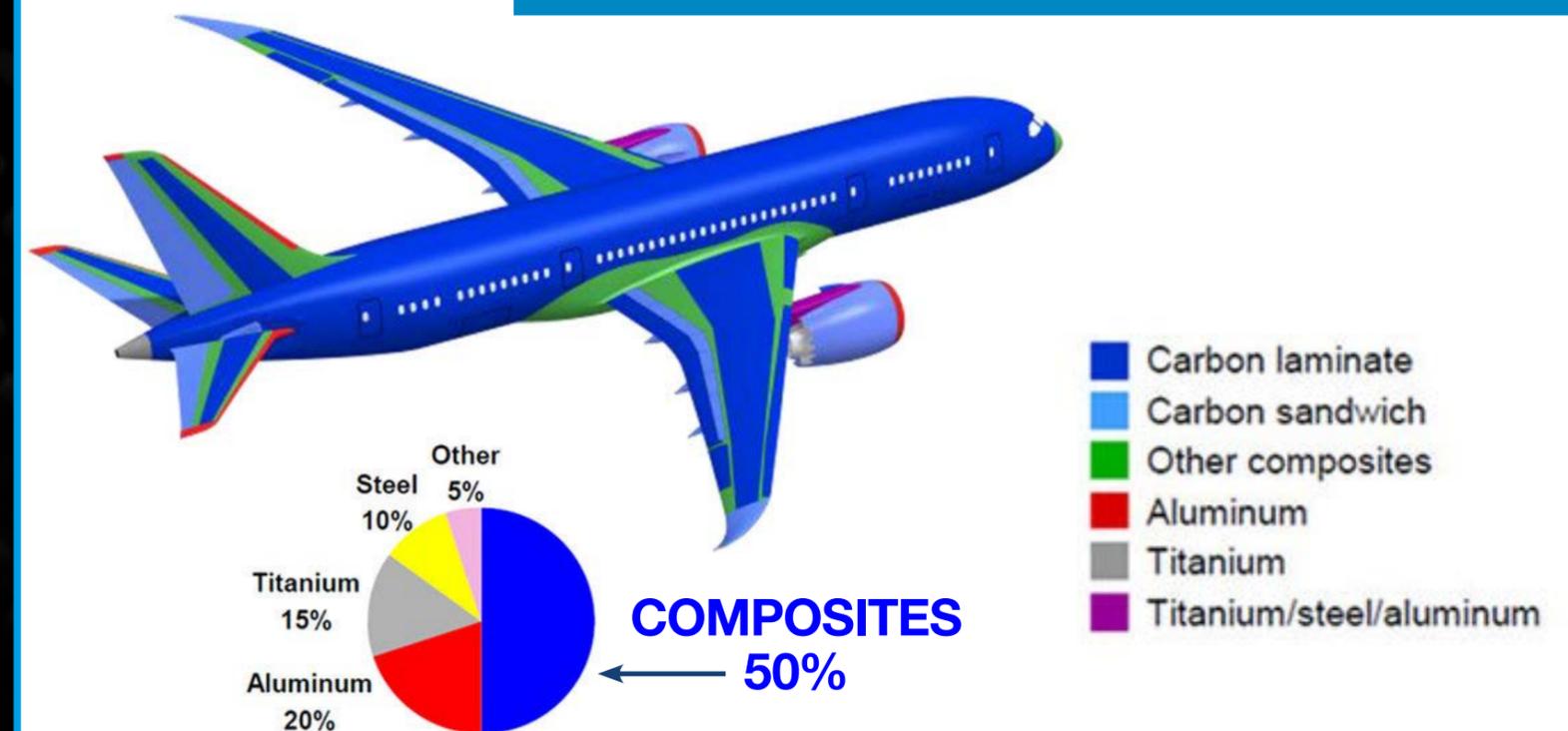
Velocity's technology drives efficient management and use of raw materials, delivering 10%-20% cost reduction to customers

Composite Materials

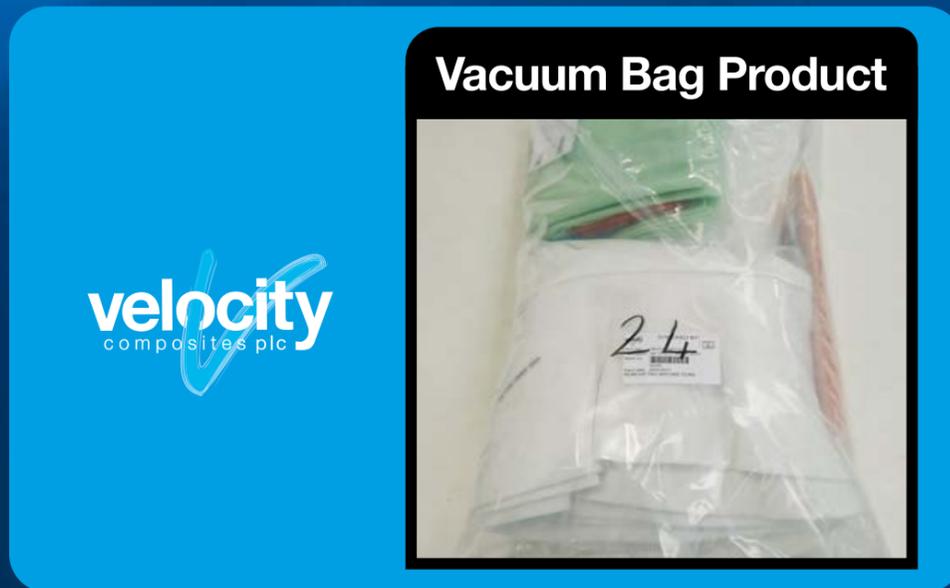


- A combination of a matrix and a reinforcement, which when combined gives properties superior to the properties of the individual components
- In the case of an aerospace composite, the reinforcement is the fibres and the matrix is the thermosetting resin
- Better weight saving, strength, corrosion 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

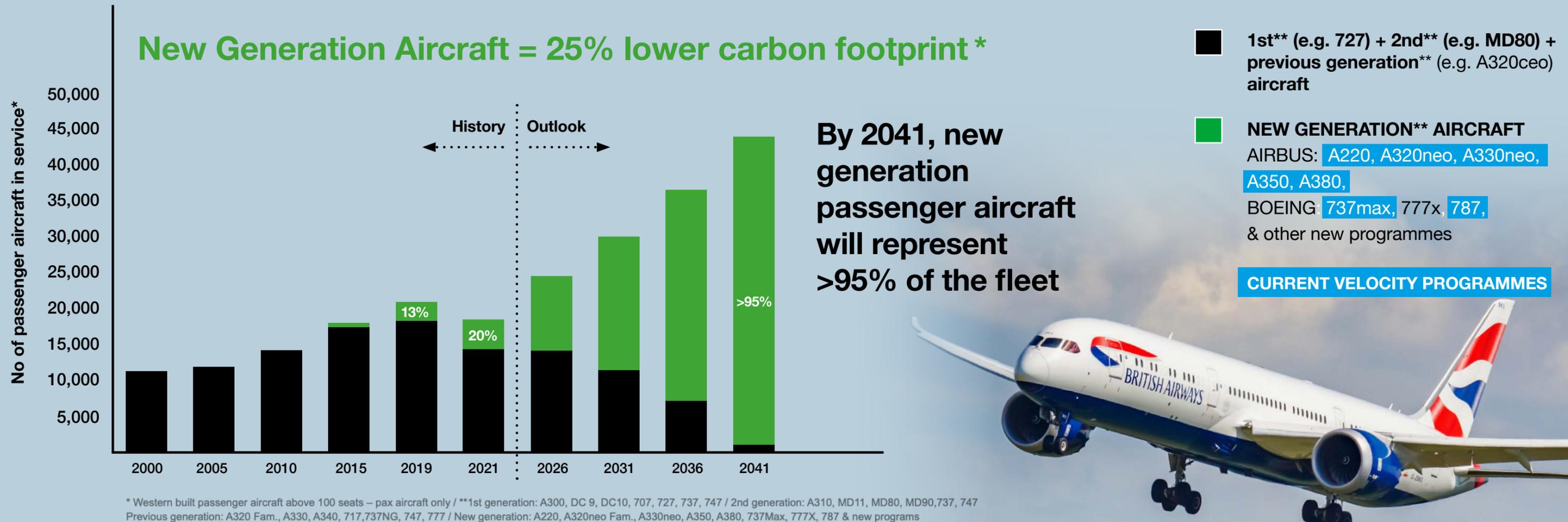


Finished Part (1m diameter)

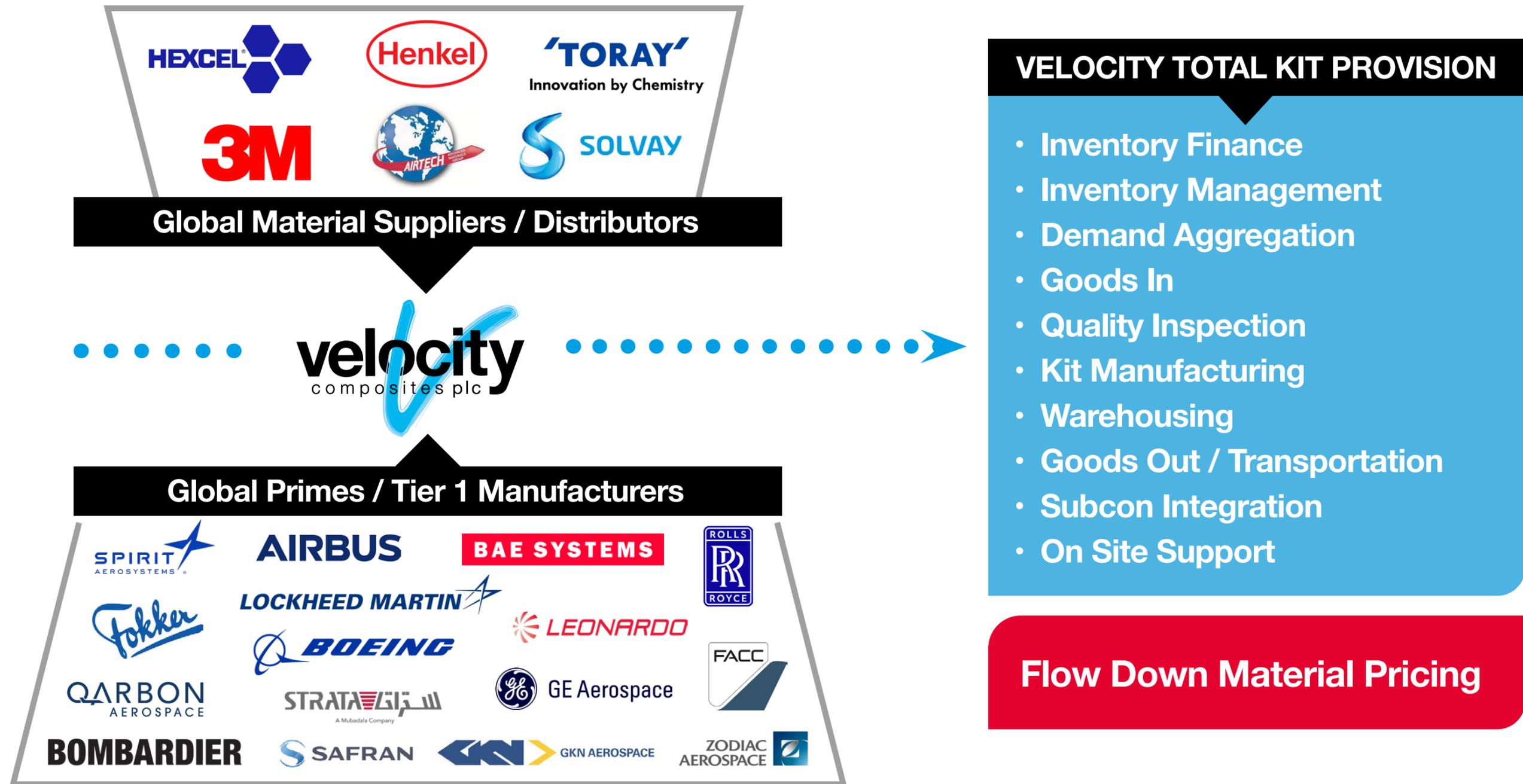
Saving > 10% material and > 20% time

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



Global Material Suppliers / Distributors



Global Primes / Tier 1 Manufacturers



VELOCITY TOTAL KIT PROVISION

- Inventory Finance
- Inventory Management
- Demand Aggregation
- Goods In
- Quality Inspection
- Kit Manufacturing
- Warehousing
- Goods Out / Transportation
- Subcon Integration
- On Site Support

Flow Down Material Pricing

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

European Sites and Customers



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.

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





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
Current assets	6,272	6,856
Loans	503	514
Trade and other payables	2,207	1,058
Obligations under finance leases	405	309
Current liabilities	3,115	1,881
Non current liabilities	3,298	3,238
Net assets	3,400	4,567
Total equity attributable to equity holders	3,400	4,567

- 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

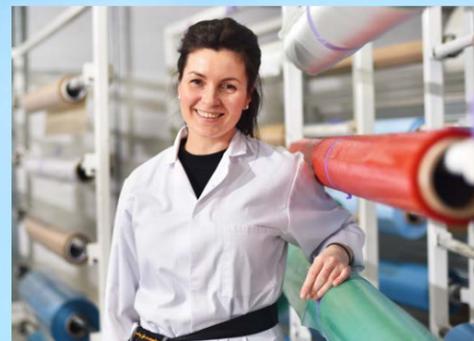
- Focus on using the US Facility to target the US composite materials market, it can double again in capacity.
- Remain significant opportunities for European growth through current UK customers and increased usage of our established European manufacturing capability.
- The commercial value of contracted 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



Velocity Disclaimer

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.

