

Investor Presentation

December 2023



velocity
composites plc

Velocity Disclaimer

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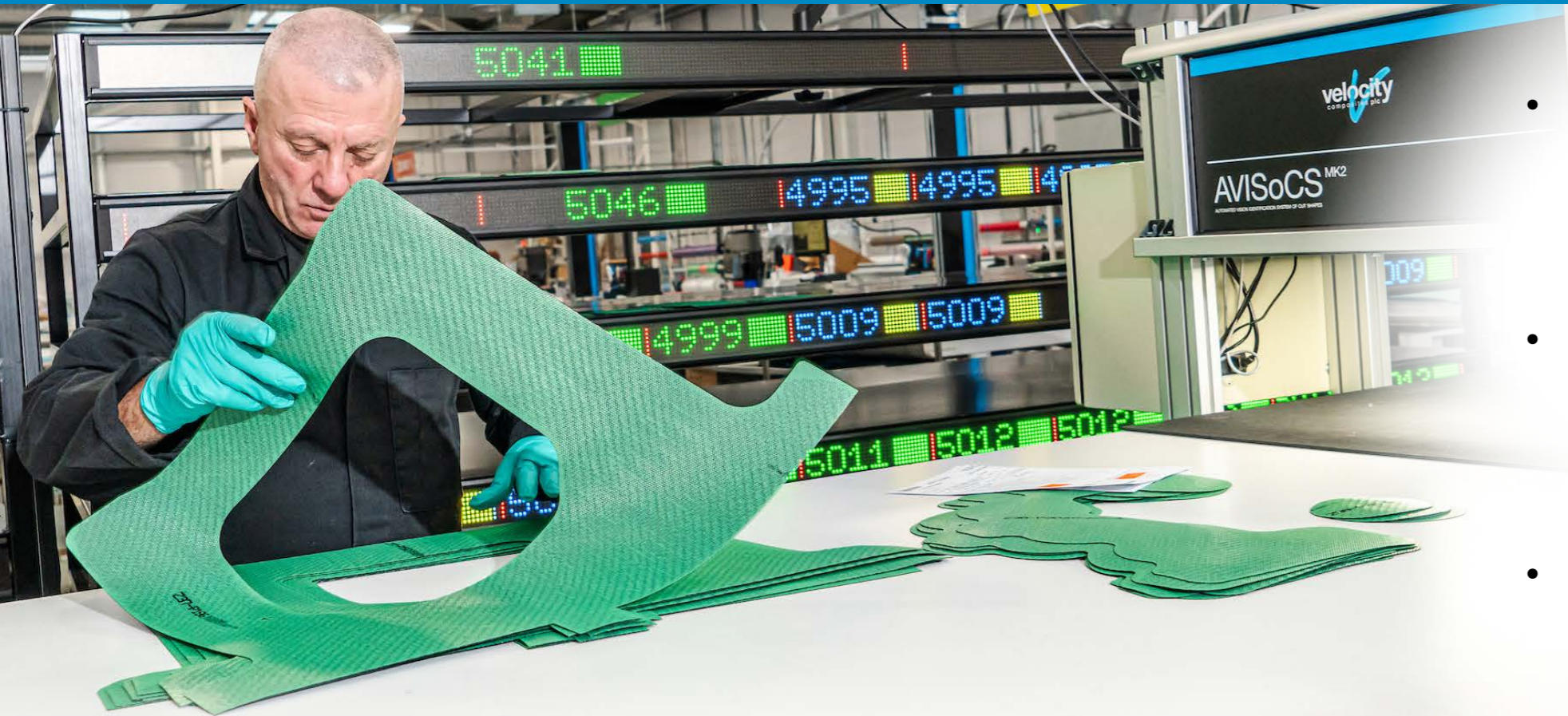
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Investment Case



- **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 £30m - £36m (2022: £12m; Analyst forecast 2023: £16m)
- **5 YEAR REVENUE TARGET OF £100M WITH 10% EBITDA** Highly qualified pipeline of \$250m. Funds raised to enable capacity of £70m. Further scaling up to be funded through future cash generation. 25% return on capital.

Experienced Board



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

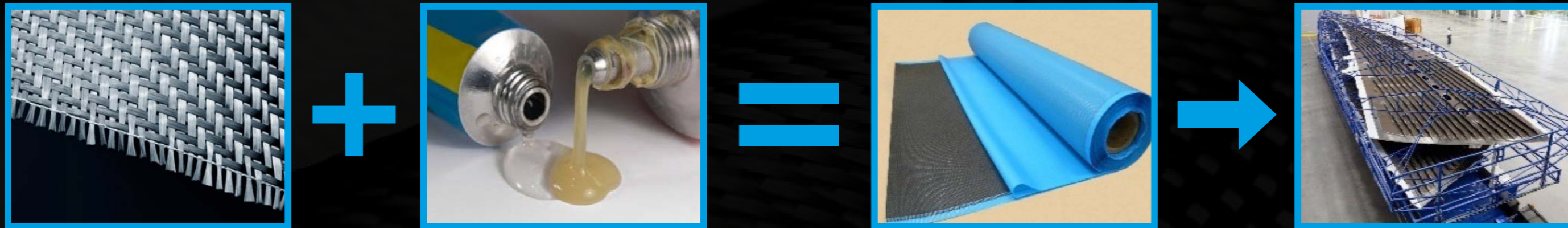
Annette has extensive experience in industries undergoing transformational change. Since 2011, she has served as a director on the board of the Midlands Aerospace Alliance, the regional body for the Aerospace, Defence and Security industry. She has held a number of senior aerospace roles with global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



David Bailey
Non-Executive Director

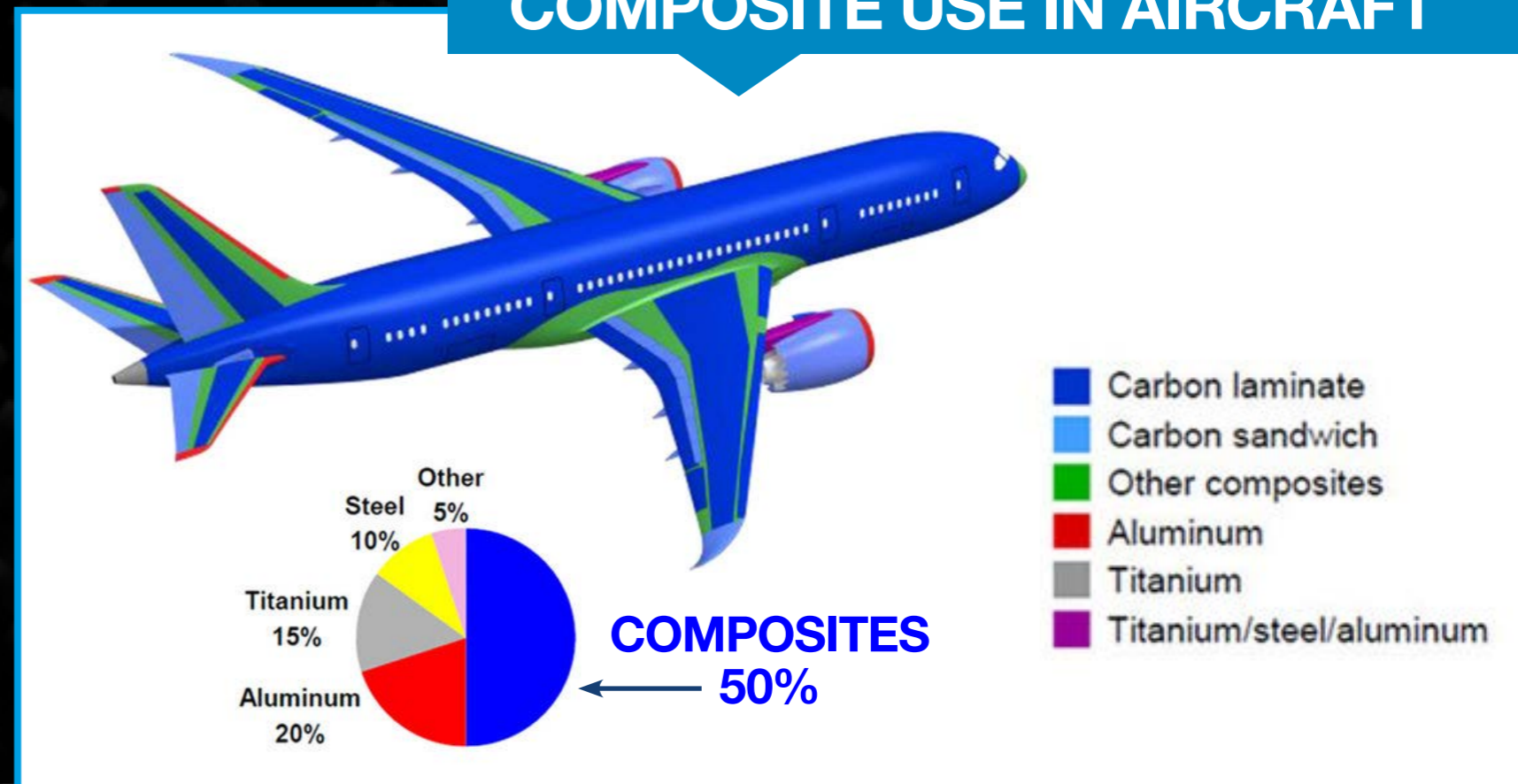
David has contributed to the strategic direction of the UK's aerospace industry and cross-sector composites sector as a Board member of the Aerospace Growth Partnership and Composites Leadership Forum. He has a PHD in aeronautics and an in-depth practical knowledge around operational excellence and sustainability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

Composite Materials

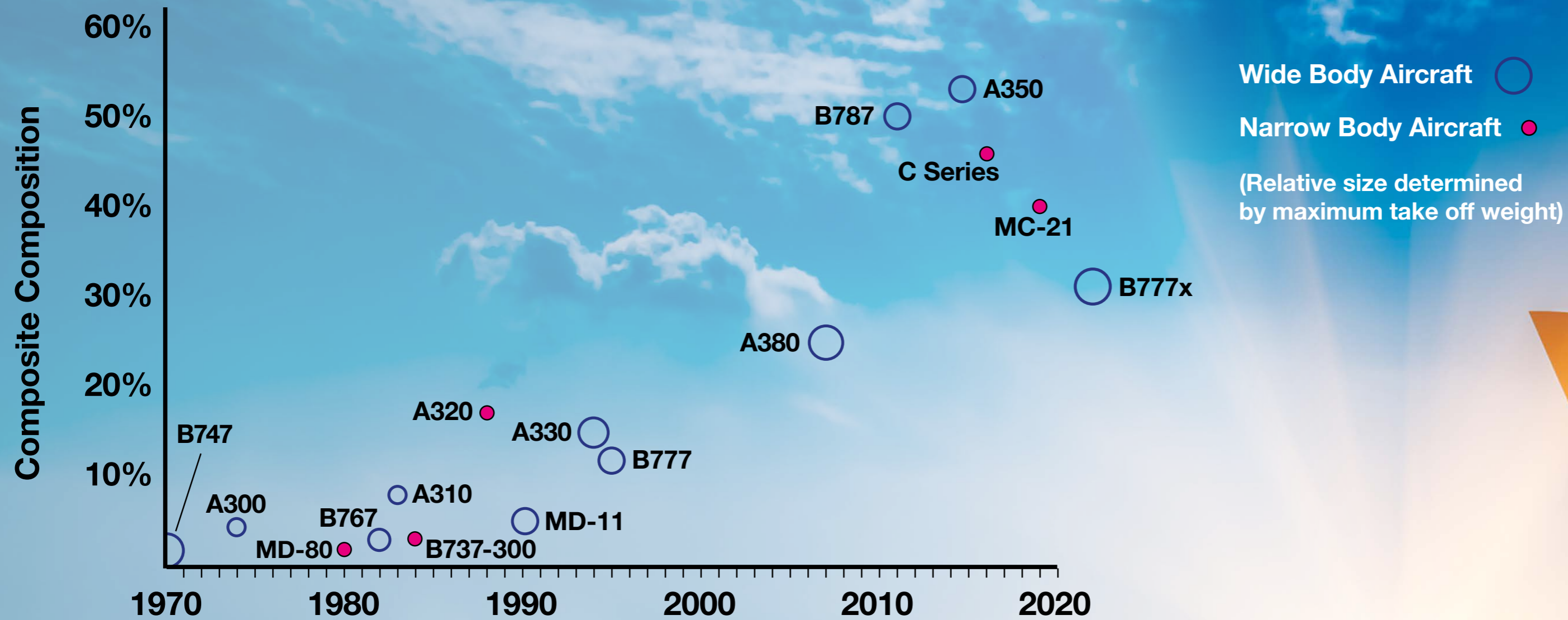


- A combination of a matrix and a reinforcement, which when combined gives properties superior to the properties of the individual components
- In the case of an aerospace composite, the reinforcement is the fibres and the matrix is the thermosetting resin
- Better weight saving, strength, corrosion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

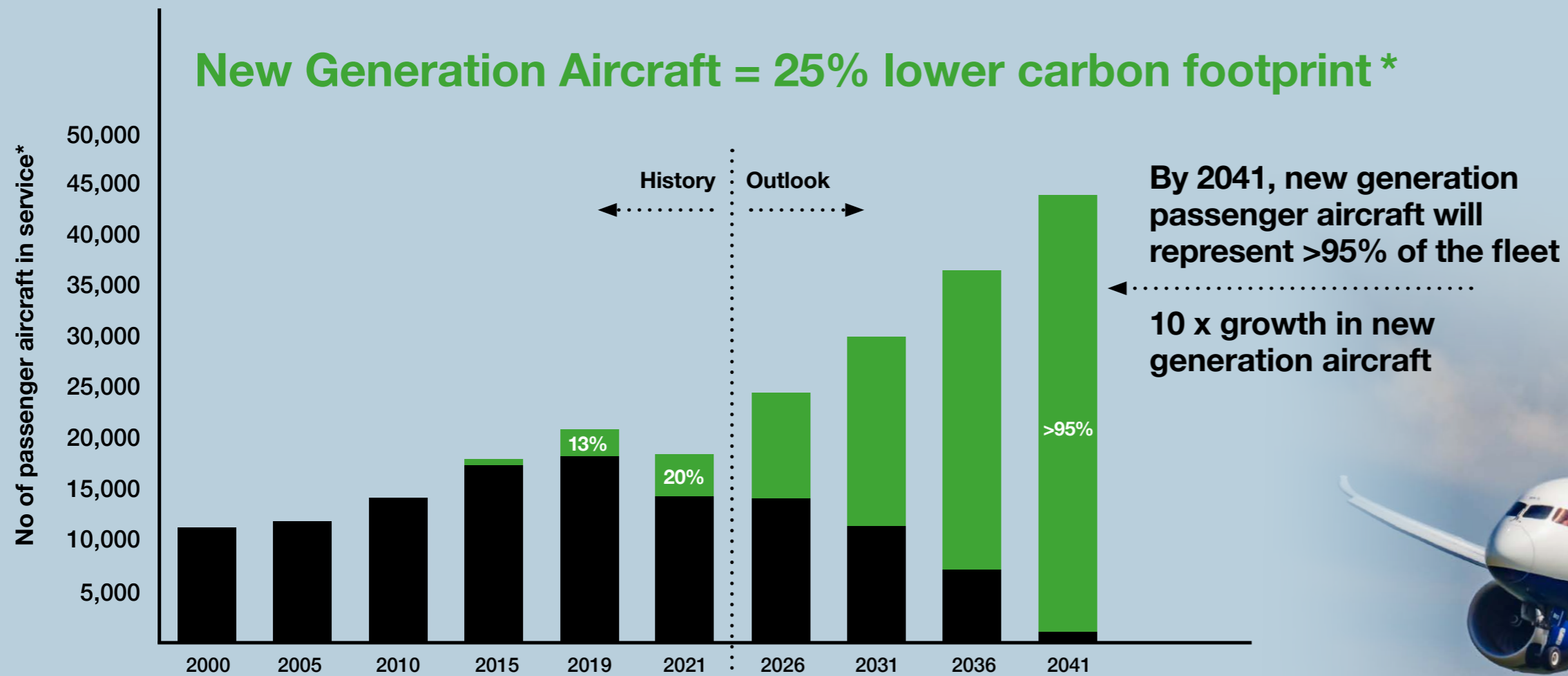


Composite Content per Aircraft



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

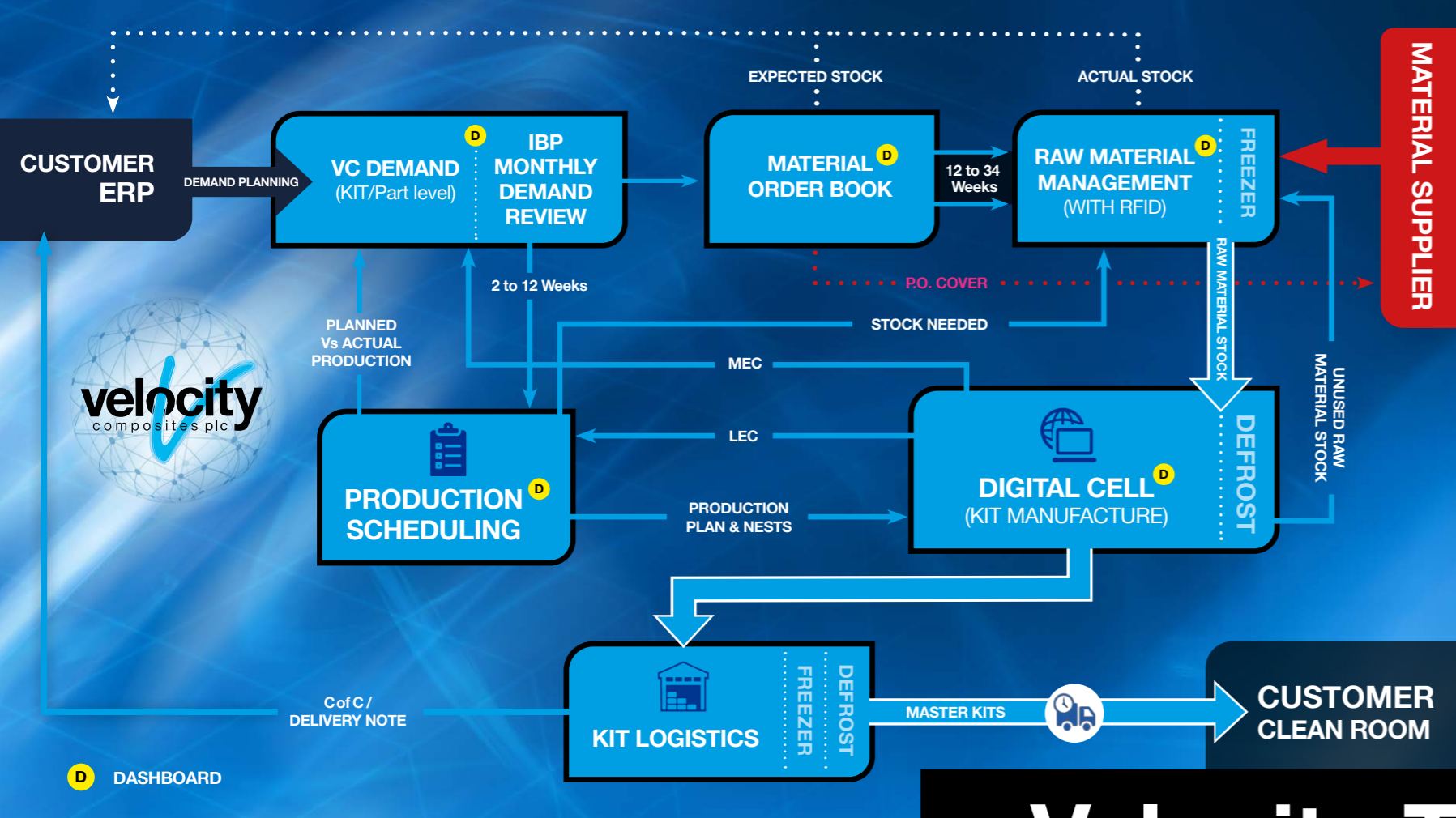


* Western built passenger aircraft above 100 seats – pax aircraft only / **1st generation: A300, DC 9, DC10, 707, 727, 737, 747 / 2nd generation: A310, MD11, MD80, MD90, 737, 747 / Previous generation: A320 Fam., A330, A340, 717, 737NG, 747, 777 / New generation: A220, A320neo Fam., A330neo, A350, A380,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

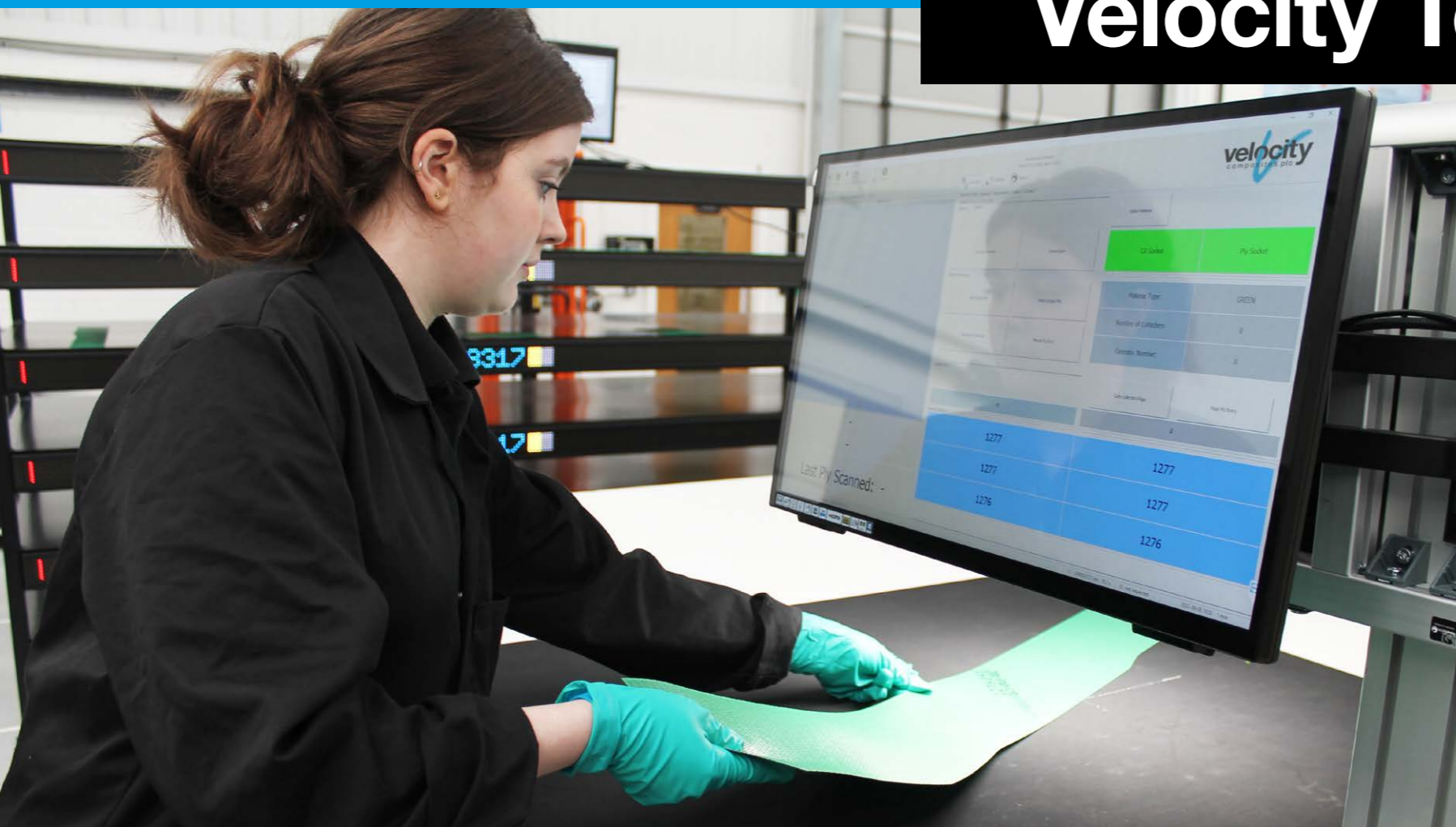
The Velocity Solution



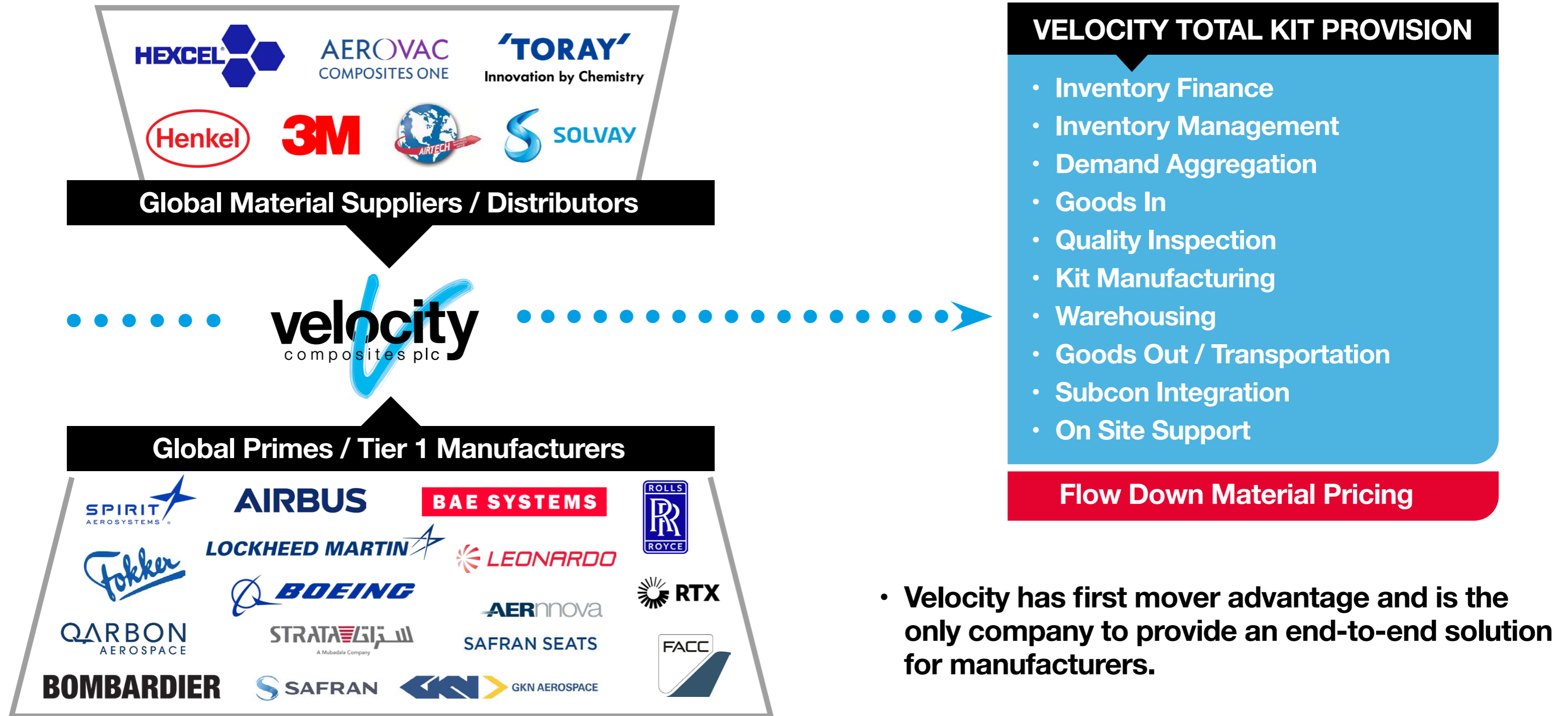
Aimed at providing at least 10% material cost saving and 20% time cost saving to customers



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 +

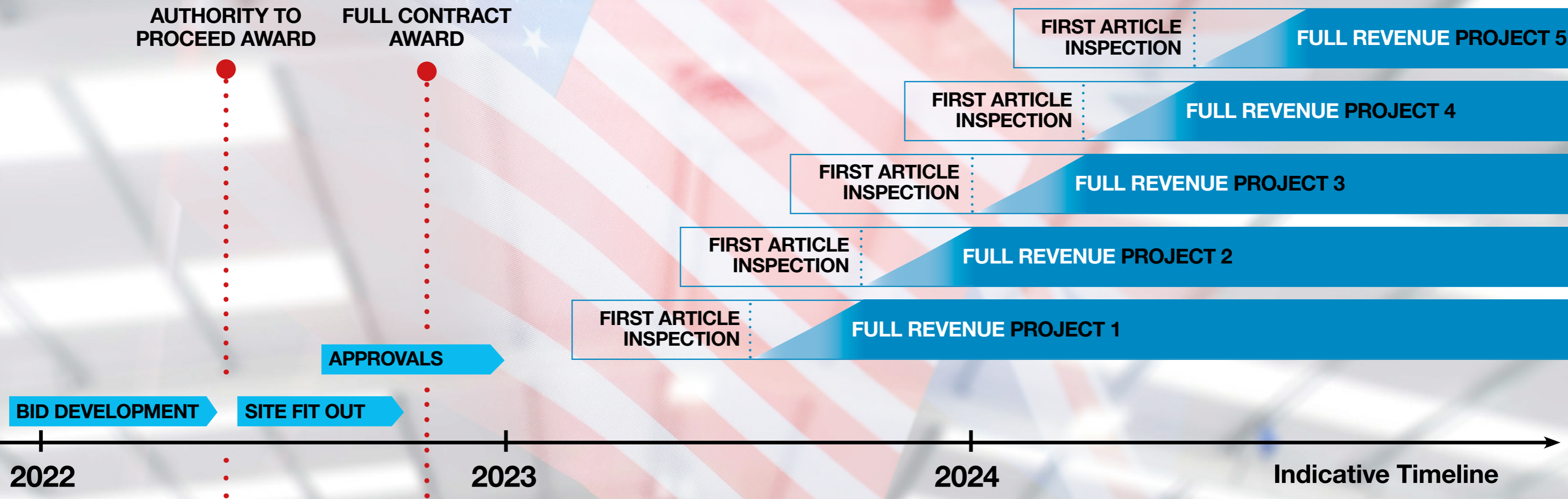
European Site: Current & Potential Customers



Velocity's North American Site and Current & Potential Customers



Contract Timeline - Building Deep Relationships



Regulated project transfer is complex and expensive for customers to reverse

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 ”

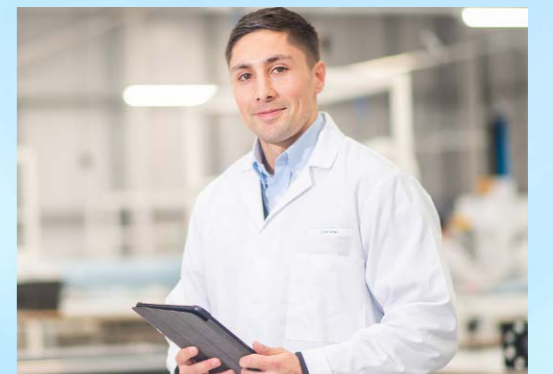
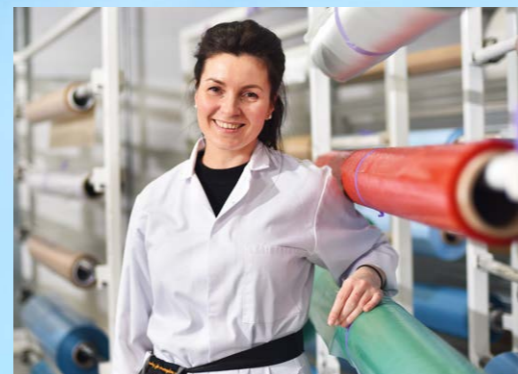
Jon Bridges, CEO, Velocity Composites



velocity

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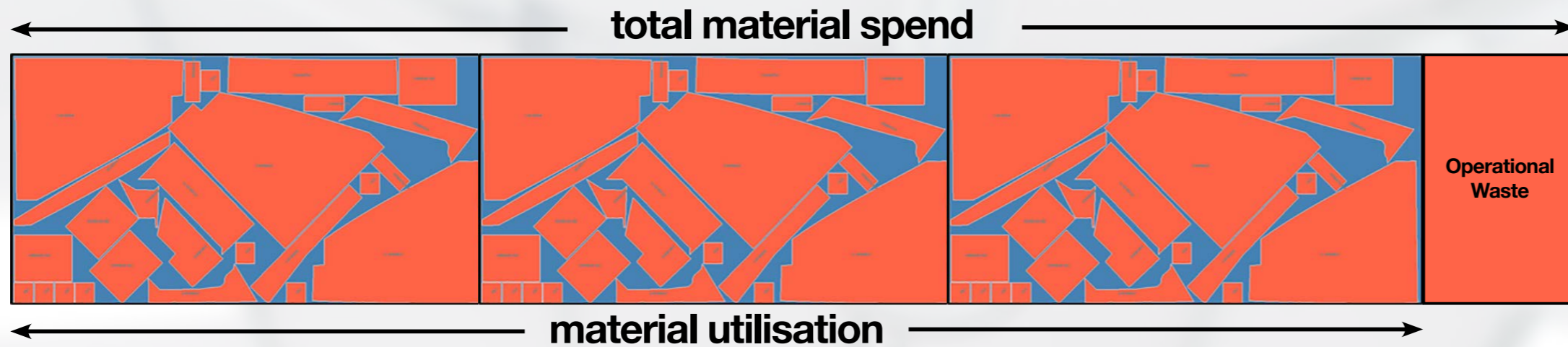
revolutionising composite manufacturing



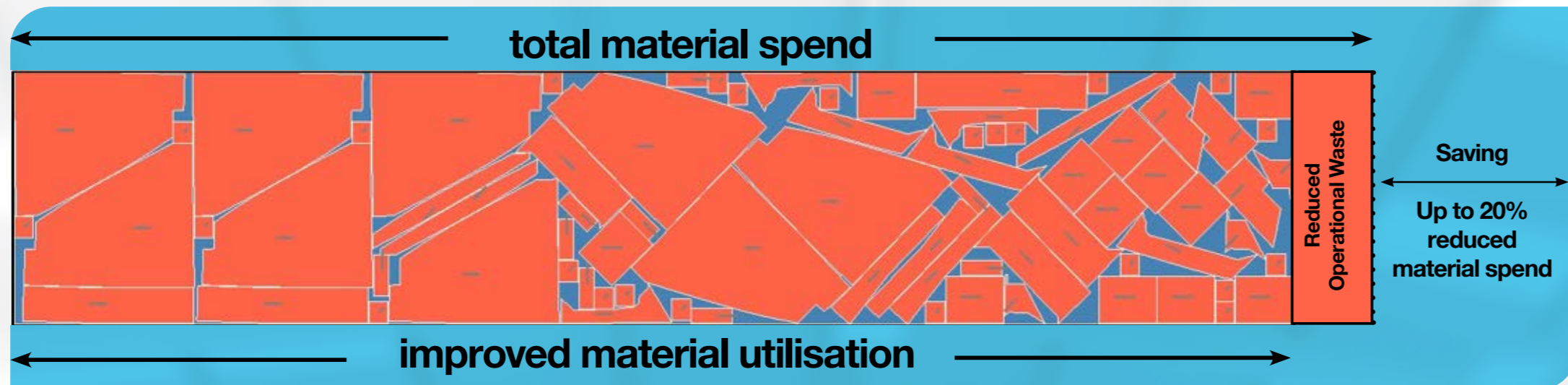


Appendices

Velocity's Material Efficiency Gains



EXAMPLE OF A 3 X SINGLE PART NEST



EXAMPLE OF A 3 X HYPERNEST

Our digital technology offers Customers significant savings on material spend & consumption

Realised through: **Proprietary cloud-based software & dedicated engineering optimisation**
Hypernest™ **Digital real-time management of customer demand & VC operations**
VRP™

Process Materials Optimisation



The Conventional Way

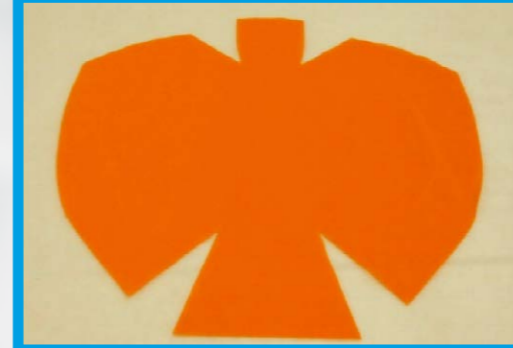
Vacuum Bagging Time: **2hrs 15m**
Operators: **Dedicated**
Traceability: **None**



Value Engineered Kits

Vacuum Bagging Time: **14m**
Operator: **Any**
Traceability: **Full**

Laser Cut Peel Ply/Release Fabrics



Cut Shape Release Films



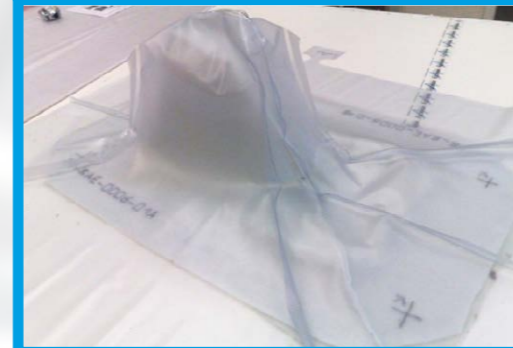
3D Breather/Bleeder Fabrics



3D Welded Vacuum Bag Films



3D Reusable Debulk Bags



Configured Packaging



The challenges for composite part manufacturers when they perform the kitting process in-house are:

- Materials are expensive and on long, fixed lead times (2 - 6 months) from single source approved suppliers. Any demand changes during lead time needs to be managed to prevent stock outs or overstocking / life expiry risk
- Raw material contains uncured resin which has a shelf life and so needs to be kept frozen at -18°C until needed to make working life usable
- A kit contains multiple materials and so any supply impact on one material will affect the consumption of the other materials, and the overall kit availability
- Highly regulated process with global approvals and batch/ life traceability requirements from material receipt to kit delivery.
- Material order book needs to match kit demand, with life and batch traceability needing to be maintained
- Not considered core business by Velocity's customers with low appetite for investment.
- In summary, complexity drives waste in various forms

Velocity offers a more efficient, outsourcing option by:

- Invested in advanced, real-time proprietary technology and digital processes to deliver kits of all raw materials with a focus on traceability and material efficiency
- Holds all approvals needed from Airbus, Boeing and NADCAP, plus approved supplier status to tier 1s
- 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.
- Details all cost savings in a “Total Cost of Ownership” business case for customers to explain all cost savings compared to an in-house service
- Allows customers to focus on their core business of part manufacture
- Once transitioned customers face investment, costs and time to repatriate

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

US Market Entry & GKN Agreement

- Facility constructed in Alabama to support the Company's five-year agreement with GKN Aerospace in the United States in December 2022
- 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 for First Article Manufacture provided in February 2023
- Manufacture of the first production kits commenced in April 2023
- Facility setup to enable doubling of production capacity if required for other customers



Shareholder Register



Shareholder	Shareholder % *
Jon Bridges	13.49%
Gerard Antony Johnson	11.74%
Christopher Banks	11.50%
Stonehage Fleming	10.61%
Hargreaves Lansdown	6.15%
Charles Stanley	4.19%
AJ Bell	4.05%
Octopus	3.83%
Interactive Investor	3.33%

* FIGURES CORRECT AT 22.09.22