



Half Year Results

For the 6 months ended 30.04.24



An 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.



Rob Smith
Chief Finance Director

Rob is a chartered management accountant with significant experience in leadership roles in a number of AIM quoted technology companies, where he has been instrumental in leading growth strategies and improving operational efficiencies. Most recently Rob served as Group CFO at Biome Technologies plc and prior to that, in the CFO and CEO roles at Filtronic plc between 2014 and 2020, an electronics designer and manufacturer of advanced filters, antennas and transceivers.



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.

H1 24 Financial and Operational Highlights

- Revenues have grown 53.9% from £7.0m in H1 23 to £10.7m in H1 24, as we continue the customer on-boarding process in the US
- Gross margins increased with H1 24 at 22.5% (H1 23: 21.8%), with further improvement activities ongoing
- H1 24 EBITDA improved to a loss of £0.2m (H1 23: £0.9m loss)
- First Article Inspection process continues to be successful in US customer on boarding
- FY24 guidance unchanged
- The Company continues to expect profitability and cash positive trading in H2 24



H1 24 Financial Summary

	H1 24 £000	H1 23 £000
Revenue	£10.7m	£7.0m
Gross margin	22.5%	21.8%
Adjusted EBITDA*	£(0.2)m	£(0.9)m
Cash at bank	£1.8m	£1.2m
Capital expenditure	£0.2m	£1.1m

- 53.9% increase in sales in H1 24 compared to H1 23
- H1 24 gross margin improvement to 22.5% (H1 23: 21.8%) resulting from improvements in US facility utilisation
- EBITDA loss (£0.2)m (H1 23: £(0.9)m loss) resulting from increasing sales volume as US facility ramps
- Cash balance reflects net proceeds from fund raising less capital expenditure on new facility and working capital take on as US sales ramp

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

H1 24 Summary Income Statement

	H1 24 £000	H1 23 £000	FY 23 £000
Revenue	10,745	6,980	16,411
Cost of sales	(8,331)	(5,459)	(13,325)
Gross profit	2,414	1,521	3,086
Administrative costs	(3,325)	(2,806)	(5,783)
Other operating income	50	-	-
Operating loss	(861)	(1,285)	(2,817)
Finance expense	(219)	(152)	(326)
Loss before tax	(1,080)	(1,437)	(3,143)
Adjusted EBITDA*	(157)	(858)	(1,606)

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

- Sales increase of 53.9% with UK sales increase of 4% and US contributing maiden sales of £3.6m.
- The additional volume has generated a gross profit of £2.4m, £0.9m ahead of the £1.5m achieved in H1 23.
- Increase in Gross Margin percentage to 22.5% (FY23: 21.8%).
- Administrative costs have increased by £0.5m to £3.3m due to US site cost.
- The Group achieved an EBITDA loss of £0.2m (H1 23: loss £0.9m).
- The business is now in an excellent position to deliver the US growth without a linear increase to the overhead base.

H1 24 Summary Statement of Financial Position

	H1 24 £000	H1 23 £000	FY 23 £000
Non-current assets	4,721	4,537	5,114
Inventories	2,096	1,633	2,743
Trade and other receivables	3,463	2,976	3,667
Tax receivable	450	-	-
Cash and cash equivalents	1,786	1,208	3,178
Current assets	7,795	5,817	9,588
Loans	503	536	503
Trade and other payables	3,468	4,298	4,587
Obligations under finance leases	489	470	487
Current liabilities	4,460	5,304	5,577
Non current liabilities	2,044	3,001	2,557
Net assets	6,012	2,049	6,568

- Increase at H1 24 versus H1 23 in non-current assets of £0.2m resulting from investment in technology and the development of the US manufacturing facility.
- Inventory management remains a key focus and the £0.4m increase reflects both the increased sales volume, together with a need to mitigate risks of supply chain disruption.
- Trade debtors are tightly controlled resulting in an improvement to debtor days H1 24: 46 days (H1 23: 58 days).
- Payables decrease of £0.8m partly offset by increase in Inventory and upfront purchase of US stock £1m.
- Non-current liabilities comprise CBILs of £0.7m (H1 23: £1.2m) and obligations under finance leases £1.3m (H1 23: £1.8m)

H1 24 Summary Statement of Cash Flows

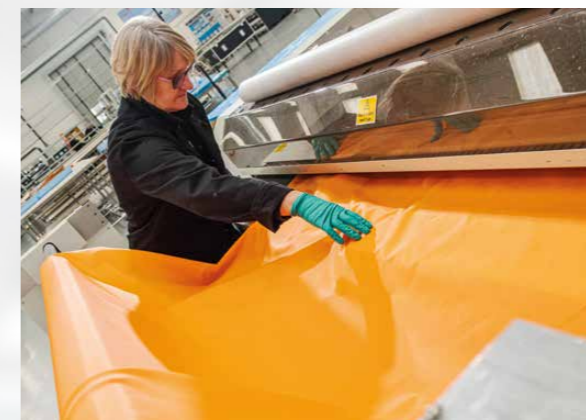
	H1 24 £000	H1 23 £000	FY 23 £000
Operating cash flows	(207)	(862)	(1,730)
Movements in working capital	(268)	1,410	(102)
Cash (outflow)/inflow from operations	(475)	548	(1,832)
Tax received	-	-	-
Cash inflow from operating activities	(475)	548	(1,832)
Cash used in investing activities	(189)	(1,098)	(2,122)
Cash used in financing activities	(728)	(586)	4788
(Decrease)/increase in cash	(1,392)	(1,136)	834
Cash at 1 November	3,178	2,344	2,344
Cash at 31 October	1,786	1,208	3,178

- Overall working capital movement decrease of £1.7m from H1 23. Year to date decrease £0.3m
- £1.0m utilised to repay CBILs and finance leases between 30 April 2023 and 30 April 2024
- Overall, a net cash position of £0.6m at 30 April 2024 with headroom in the IDF facility:

	HY 24 £000	HY 23 £000	FY 23 £000
Cash	1,786	1,208	3,178
CBIL loan	(1,222)	(1,758)	(1,473)
IDF	-	(1,240)	(68)
Net cash	564	(1,670)	1,637

FY24 Focus

- **Trading in H1 24 has continued to be strong, and the Group guidance for FY24 remains unchanged**
 - H1 24 revenue of £10.7m (H1 23: £7.0m)
 - EBITDA loss of £0.2m (H1 23: loss of £0.9m)
 - Cash at bank as at 30 April 2024 was £1.8m (H1 23: £1.2m)
 - Net cash of £0.6m (H1 23: net debt of £1.7m)
- Inflationary price rises have taken effect to **mitigate inflation lag**. All contracts will then allow for annual inflation review (100% contain material price flow through agreement)
- Following a key OEM approval by GE Aerospace, Velocity has completed the FAI process that delivers the expected FY24 revenue, with the remainder to be completed in FY24.
- Boeing issues have no impact on the Company's contracted revenues for FY24 or FY25
- New business pipeline focused on:
 - **Additional business with existing European customers**
 - **Winning new business with new customers in US (non Boeing)**
- FY24 current contracted revenue expected to be in the range of £27m - £30m. Revenue will be higher than £27m with any new business contracted.



Conclusion

- Contracted revenue for FY24 of £27m (FY23: £16.4m), increasing to £33m in FY25 (excluding any new business wins)
- Key new business opportunities in UK and US with a highly qualified pipeline of £200m
- Profitability and cash generation anticipated in H2 24
- Velocity has completed FAIs which enable the Company to satisfy 91% of FY24 US revenue and 85% of FY25 US revenue, with the remainder expected to be completed in FY24, ensuring the Company is on target to meet its FY24 forecasts
- Five-year revenue target of £100m with 10% EBITDA margin
- Uniquely placed to support future growth of a highly regulated and rapidly growing sector

“ 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 \$200m ”

Jon Bridges, CEO, Velocity Composites





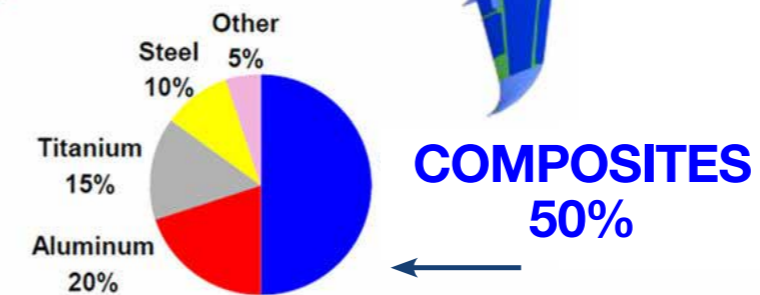
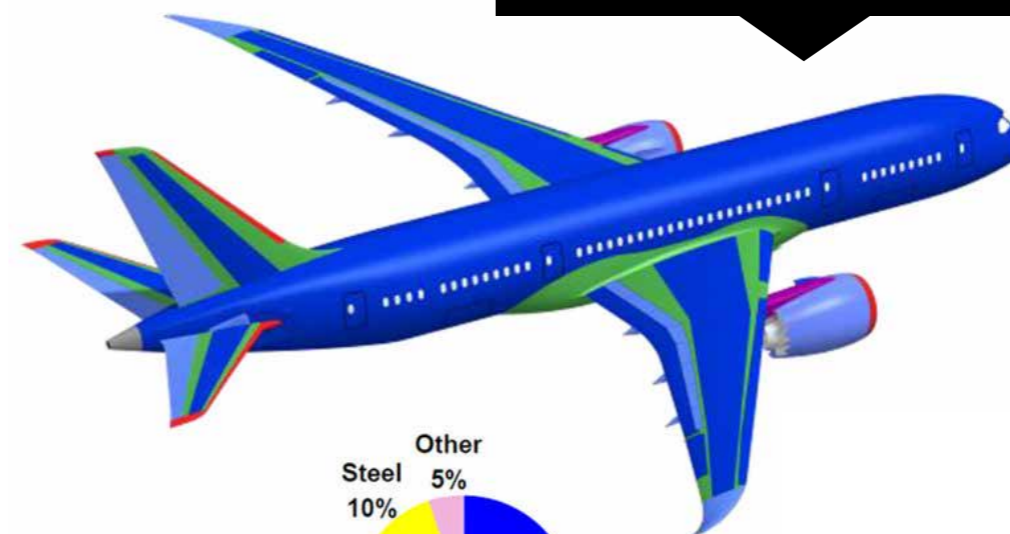
Appendices

Introduction | Velocity's Opportunity



- Increase of composite components within modern aircraft – **projected 10x growth over next decade**
- Customer savings of **>10% material costs** and up to 20% time costs
- Greater quality consistency
- Industry focus on outsourcing
- Contracted revenues for FY24 of £27m (FY23: £16.4m) growing to £33m in FY25
- Highly qualified pipeline of c.£200m
- Five-year revenue target of £100m and 10% EBITDA margin

COMPOSITE USE IN AIRCRAFT



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

The Velocity Solution and Key Partners




Velocity's bespoke clean room production facilities allow the supply of the following processes, services and products

**Raw Material
(flow down pricing)**



**Precision Cutting and
Material Optimisation**



**Digital Manufacturing
& Inventory Management**



Structural Product



Vacuum Bag Product



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



Example Finished Part
(1m diameter)

KEY PARTNERS



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 has first mover advantage and is the only company to provide an end-to-end solution for manufacturers.**

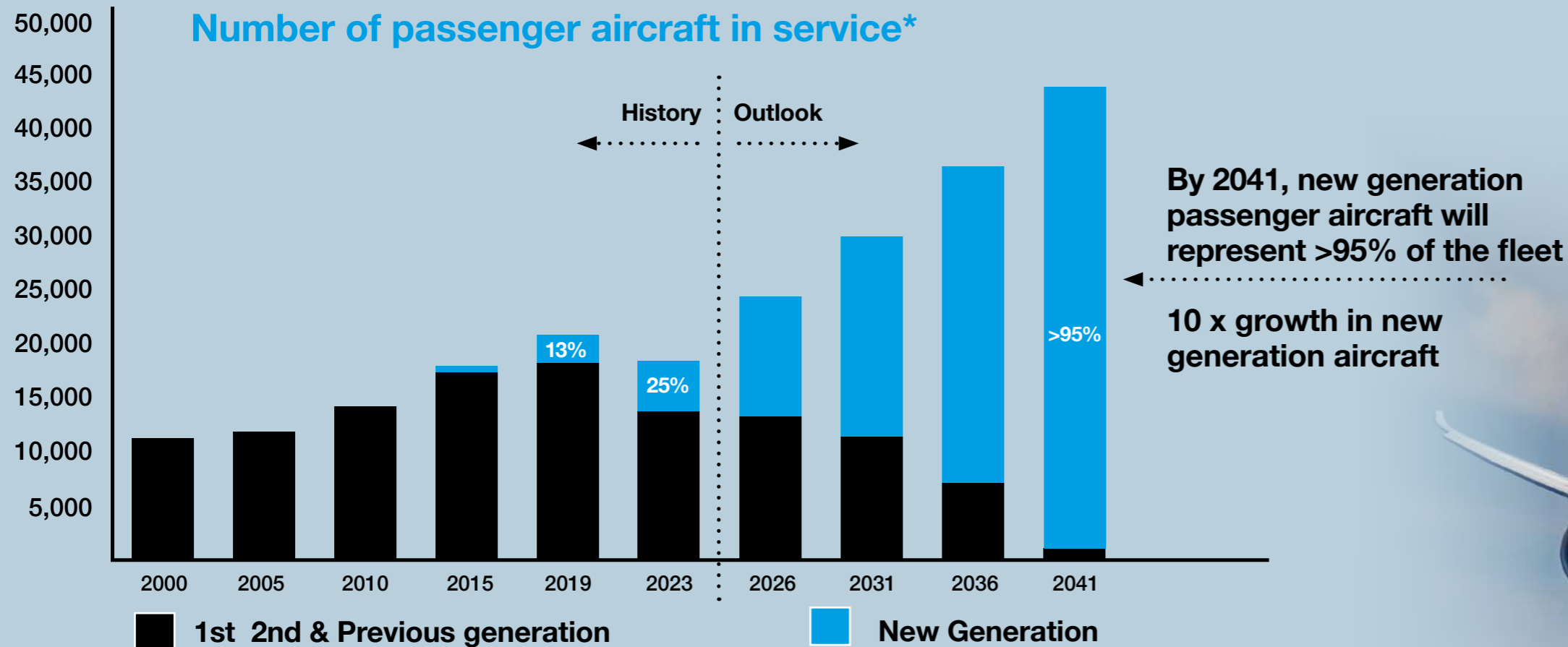
Sustainability Driving Growth

Demand for composites is set to grow rapidly as the aerospace sector delivers on its strategy to achieve net zero by 2050, replacing older models with the next generation of aircraft

95% By 2041, new generation passenger aircraft will represent >95% of the fleet

10x 10x growth in new generation aircraft

25% The new generation of aircraft will be lighter, stronger, and have a 25% lower carbon footprint



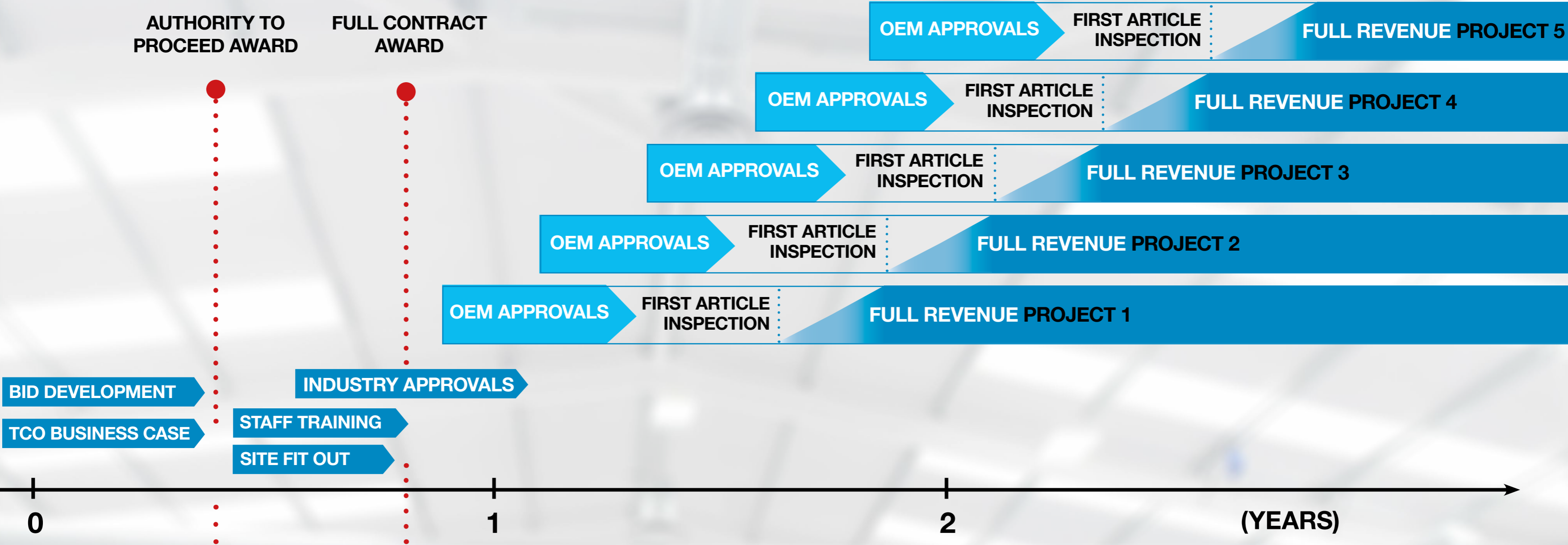
Velocity currently provides composites for the following New Generation Aircraft and has the potential to service all new programmes

AIRBUS	BOEING	DEFENCE PROGRAMMES
A350	787	
A350 NEO	737 MAX	
A320 NEO	777X	
A220		



1 Western built passenger aircraft above 100 seats – pax aircraft only
 2 1st generation: A300, DC 9, DC10, 707, 727, 737, 747. 2nd generation: A310, MD11, MD80, MD90, 737, 747, 757, 767, F100. Previous generation: A320 Fam., A330, A340, 717, 737NG, 747, 777
 3 New generation: A220, A320neo Fam., A330neo, A350, A380, 737Max, 777X, 787 & new programs

New Customer Onboarding Process



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

Case Study – Tier 1 Aerospace Manufacturer



Background...

- Velocity signed a five-year contract with expected revenue of £79 million (\$100 million) in December 2022 with US manufacturer
- Selected to improve efficiency and increase production rates
- The agreement built on Velocity's long-standing relationship with the same client which it services across existing UK sites
- To support this international expansion, the Company developed its first advanced manufacturing facility outside of the United Kingdom, a 40,000 sq. ft facility in Alabama
- £3 million invested to develop the facility which has capacity to deliver £40 million revenue per annum
- Following a key OEM approval by GE Aerospace in March 2024, Velocity expects the FAI process to be fully complete within FY24 allowing for full rate ramp up to deliver the FY24 US revenue forecast

Progress...

Total of 1047 kits to complete First Article Inspection (FAI) for the entire project to transfer to Velocity in phases

90% of FY24 US revenue has completed FAI

10% of US revenue is completing OEM approval

Full rate production in FY25 to generate £16.7m of US revenue

Pipeline Underpinned by Contracted Revenue



Current Contracted Business

£27m - £33m
(\$34m - \$42m)
Annually

3 Current Facilities Support

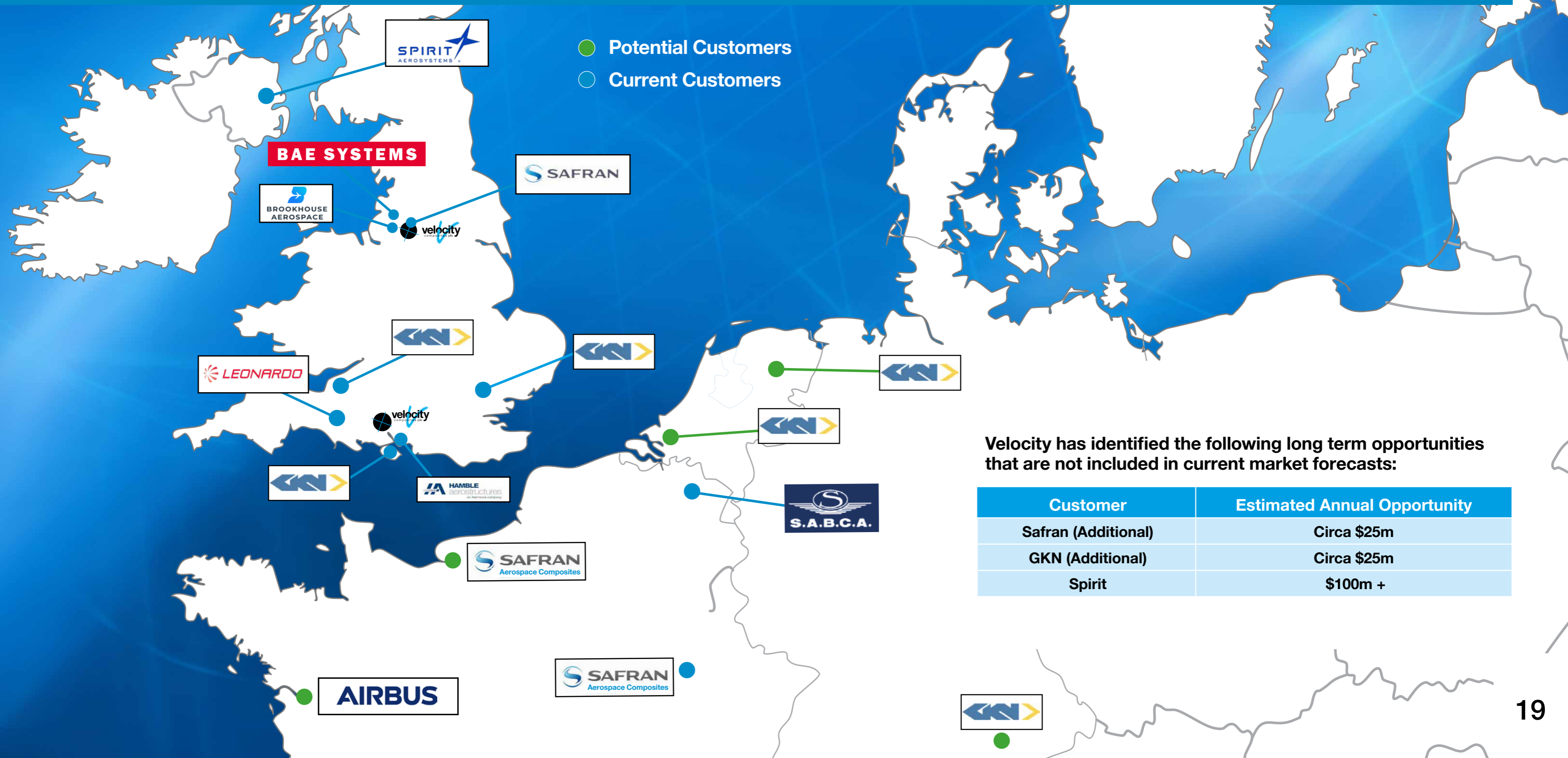
£67m
(\$85m)
Annually

Potential Pipeline

£200m
(\$250m)
Annually

Near term growth supports 10% EBITDA and 25% return on capital

European Sites: Current & Potential Customers



Velocity has identified the following long term opportunities that are not included in current market forecasts:

Customer	Estimated Annual Opportunity
Safran (Additional)	Circa \$25m
GKN (Additional)	Circa \$25m
Spirit	\$100m +

Velocity's North American Site and Current & Potential Customers



Velocity has identified the following long term opportunities that are not included in current market forecasts:

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

Timeline of Velocity Composites

2007
IDENTIFIED GAP IN THE MARKET
 BETWEEN CUSTOMERS
 DEMAND FOR EFFICIENT KITTED
 SOLUTIONS & MATERIAL
 SUPPLIERS JUST WANTING
 TO SELL ROLLS

ORIGINAL FACILITY
 BUILT A REPUTATION
 FOR HIGHLY TECHNICAL
 CONSUMABLE KITS

2015: APPROVAL
 RECEIVED GLOBAL
 AIRBUS AIPi APPROVAL

AIRBUS

2017: COMPLETED IPO
 ONTO AIM OF THE LONDON
 STOCK EXCHANGE RAISING
 £10M WITH A MARKET CAP
 OF £30M



2020: R&D CENTRE
 R&D CENTRE
 ESTABLISHED IN BURNLEY



2023: USA FACILITY
 FACILITY OPENED IN
 ALABAMA AND
 1st KITS DELIVERED



2012: NEW FACILITY
 MOVED INTO CURRENT
 PURPOSE BUILT FACILITIES



2016: 2ND UK FACILITY
 OPENED ADDITIONAL SITE
 IN FAREHAM



2018: ACCREDITATION
 ACHIEVED NADCAP
 KITTING SERVICE
 PROVIDER APPROVAL



2022: USA DEAL
 USA MARKET ENTRY
 WITH \$100M DEAL
 SIGNED

2023: FUNDRAISE
 A SUCCESSFUL
 SECONDARY FUNDRAISE.
 £6.2M FUNDS RAISED
 FOR FURTHER GROWTH



2007: FORMED
 3 CAREER COMPOSITES
 ENGINEERS FORMED
 VELOCITY COMPOSITES
 Grew organically, privately
 funded in the UK.

Velocity Disclaimer

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velocity

composites plc

revolutionising composite manufacturing

