



Interim Results

for the six month period to 31st March 2023

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Agenda

- Overview
- Strategic Update
- Business Review
- Financial Review
- Business Development
- Outlook



- H1 revenues up 9% to £2.9m (2022 H1: £2.65m), despite some order book delays
- Gross margin increased to 47% (2022 H1: 41%) with improving capacity utilisation enabling better leverage of fixed costs
- EBITDA break even performance delivered in H1 (2022 H1: £0.2m EBITDA loss)
- Good progress made towards our shorter term strategic objective of becoming EBITDA / operating cash flow break-even
- Cash flow balanced, overall, for the period
- £0.7m of available cash resources at 31 March 2023 (30 Sept 2022: £0.7m)
- Expect the positive sales momentum to continue into H2 and beyond

Hardide's two-stage strategy

Update

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|--|---|
| <ul style="list-style-type: none">• Focus on becoming consistently profitable and cash generative, driven by sales growth using proven coatings technology and existing production capacity | <ul style="list-style-type: none">• EBITDA break even in H1 |
| <ul style="list-style-type: none">• Drive significant value creation over the medium to longer term, through further commercialisation of our unique coatings technology, including co-operation with other coatings companies | <ul style="list-style-type: none">• On track to be in line with the Board's expectations for full year, enabling us to drive towards full profitability and increasingly positive cash generation• Commercial / technical development agreements signed with two global coatings companies• Technical co-operation discussions ongoing with a third similar company |
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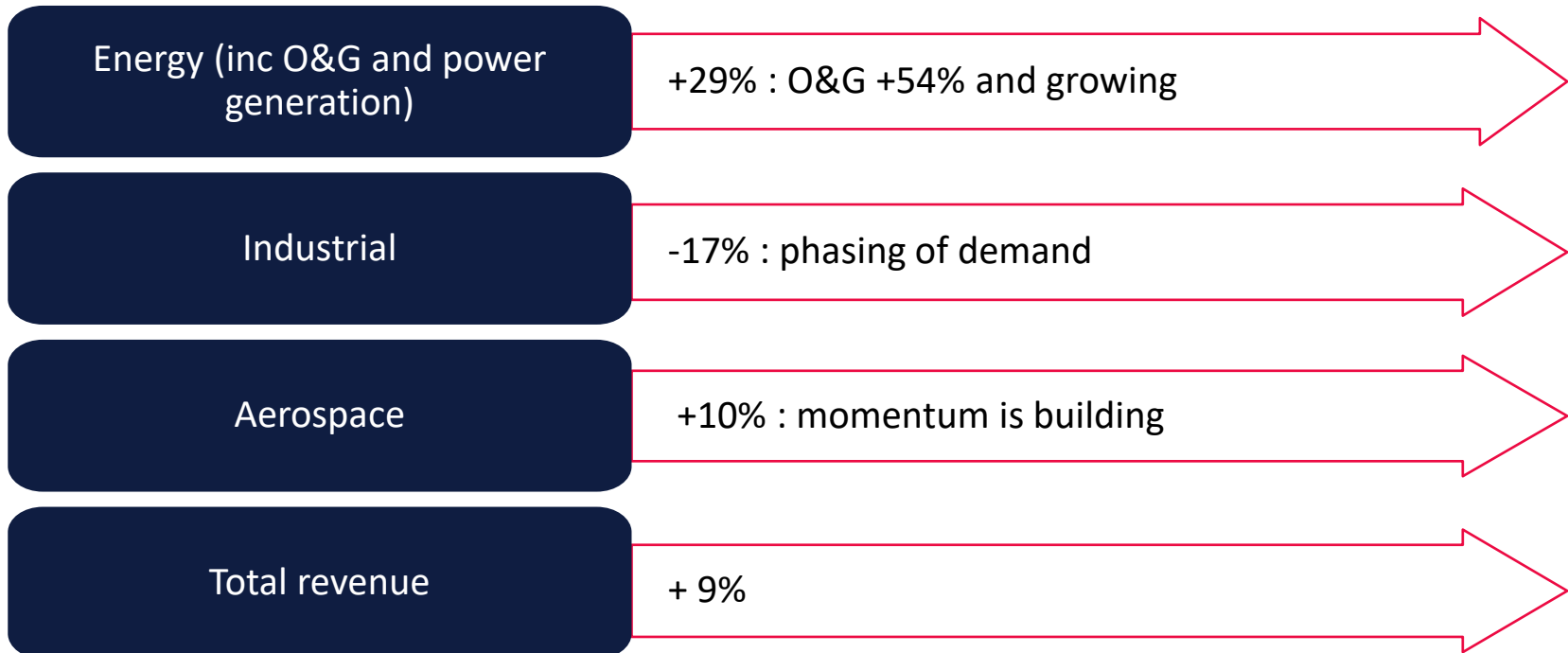
- Revenue growth
- End use market sector analysis and updates
- Commercial and technical developments
- Profit and cash improvement plan delivery



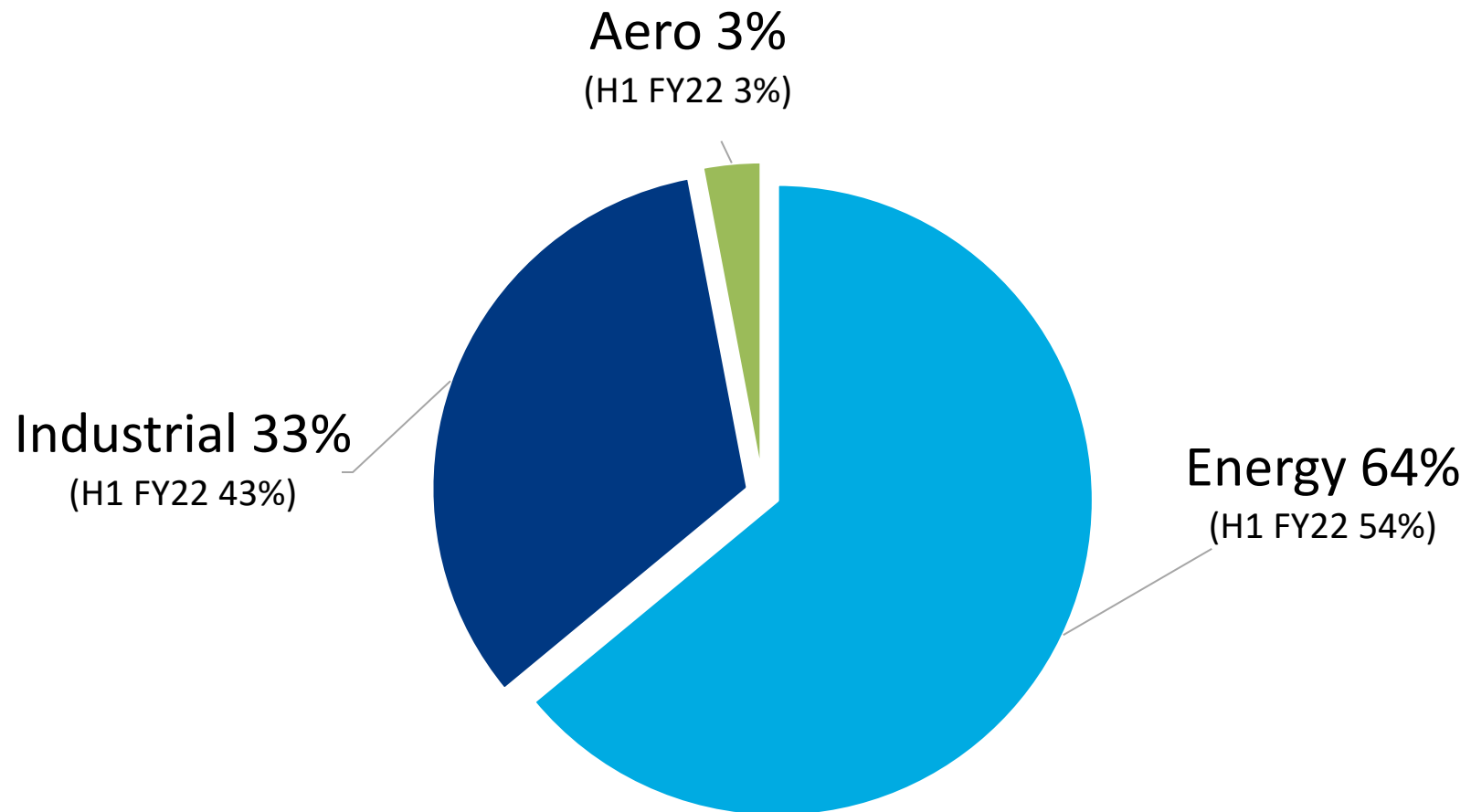
H1 FY23 Revenue £2.9m – 9% up on H1 FY22

H1 FY22 benefitted from large order for coating turbine blades. Repeat orders are expected, but have been delayed from H1FY23 until later in 2023. Excluding this, H1 revenue growth was 21%.

Comparisons with H1 FY22:



H1 FY23 Market segmentation



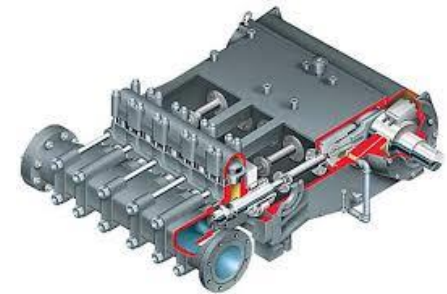
Market – Energy highlights

- **Oil & Gas:** Demand from sector and adoption of Hardide technology is growing rapidly with further applications in development eg, sand control screens, sucker rods
- **Power Generation:** Positive momentum with potential global IGT customers could yield significant short/medium term opportunities for Hardide:
 - First order expected in H2 from 2nd largest producer of IGTs for coating compressor vanes.
 - Expected H1 order from existing customer for IGT blades delayed until later in calendar year



Market – Industrial highlights

- **Industrial pumps:** customer's demand remains high but lower phasing of requirements in H1 FY23 than in H1 FY22
- **Solar Energy:** Demand for components used in silicon ingot production process set to increase as customer ramps-up production
- **X-ray machines:** customer forecast to increase production in H2
- **New applications:** in development, for example high volume consumable components for thermal spray equipment



Market – Aerospace highlights

- **Airbus:** Components now being coated regularly for Airbus A320, A330, A380 and A400M aircraft
 - Recently approved (May 23) for further high-volume A320 wing parts
- **Leonardo:** Regular orders for helicopters transmission components
- **Military:** Regular orders for Eurofighter Typhoon canopy locking parts
 - Further orders for F35 Joint Strike Fighter components



- **Hydrogen:** initial 'green' hydrogen generation project completed successfully- further grant application underway to take project to next stage
- **EV batteries:** Testing re-started with EV manufacturer for components used in battery manufacturing process
- **Technical developments:** expanding the applications of Hardide technology eg low temperature coatings, new low friction coating variant
- **Commercial and technical co-operation:** agreements signed with other coatings companies to expand potential applications for the Hardide coating. Agency agreement signed for South Korean market

- The plan announced in December 2022 was to improve profit and cash flow by circa £0.3m-£0.4m by Summer 2023
- The plan is now expected to exceed initial expectations and deliver a c.£0.5m total cash flow benefit
- Key areas of benefit were:
 - cost reduction: £0.2m
 - grants to offset technical / development costs: £0.1m
 - selling price increases / cost inflation recovery: £0.1m
 - working capital reduction: £0.1m

- Income Statement
- Cash Flow Statement
- Balance Sheet
- Financial Review & Funding



Income Statement Summary

£m	H1 FY23	H1 FY22	Change	FY 22
Revenue	2.9	2.7	+9%	5.0
Gross profit	1.3	1.1	+22%	1.9
Gross margin %	47%	41%	+6 ppts	37%
Overheads	(1.3)	(1.3)	-	(2.8)
EBITDA	-	(0.2)	+£0.2m	(0.9)
Depreciation	(0.5)	(0.5)	-	(1.2)
Financing	(0.1)	(0.1)	-	(0.2)
PBT	(0.6)	(0.8)	+£0.2m	(2.3)

- Revenue growth in H1 FY23 drove increased capacity utilisation and better leverage of fixed costs leading to significantly improved gross margins
- Overheads were well controlled, allowing the additional gross profit benefit to drop through and deliver an EBITDA break even performance in H1 FY23.

Note: EBITDA benefitted from £0.1m of net non recurring (mostly property lease) gains in H1 FY23.
EBITDA in H1 FY22 benefitted from £0.2m of Covid support.

Cash Flow Summary

£m	H1 FY23	H1 FY22	FY 22
EBITDA	-	(0.2)	(0.9)
Change in working capital	0.1	(0.5)	-
Capital expenditure	(0.1)	(0.2)	(0.3)
Interest	(0.1)	(0.1)	(0.2)
Tax	0.1	0.1	0.1
Leases & financing	(0.3)	0.2	0.3
Sale & leaseback / other	0.3	-	0.1
Net cash flow	-	(0.7)	(0.9)

Net period end cash balance	0.7	0.9	0.7
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- Cash flow was balanced overall in H1 FY23, with the £0.5m proceeds from the purchase, sale and leaseback of our US facility in December mostly offset by the normalisation of payables in October

Balance Sheet Summary

£m	31 Mar 2023	30 Sept 2022	Change
Plant & equipment	4.9	5.5	-10%
Right of use assets	1.8	1.6	+9%
Working capital	0.7	0.8	-9%
Cash	0.7	0.7	-
Capital invested	8.1	8.6	-6%
Loans*	(1.0)	(1.1)	-15%
Lease liabilities**	(2.3)	(2.0)	+21%
Shareholders' funds	4.8	5.5	-13%

* Loans at 31 March 2023 repayable within one year were £0.3m

** Lease liabilities at 31 March 2023 repayable within one year were £0.2m

- Available cash balances at 31 March were £0.7m (30 Sept 22: £0.7m)
- Now operating close to EBITDA and operating cash flow break even. The cash balance has been broadly stable for the last few months
- Hardide is a well invested business with significant spare capacity and we do not currently foresee any material short / medium term capex requirements*
- Having reviewed cash flow forecasts and associated sensitivity analyses, the Board believes the Group will remain well placed for the foreseeable future
- Nonetheless, the Board continues to explore opportunities to further strengthen the balance sheet to build additional headroom and resilience

* If any significant capex requirements were to arise it would likely be due to material new business wins and could be funded by a asset finance and incremental internally generated cash flow

Ambition:

- Current operational capacity would support a sales revenue of approx. £10m*
- Current average plant capacity utilisation* is circa 60%
- Targeting to make maximum use of this spare capacity over the next few years
- Revenue required to become EPS positive is c. £7.5m-£8.0m

Key revenue growth targets to realise this:

- £1m + from Oil & Gas, particularly well sand control applications
- Up to £1m from Aerospace following the numerous recent certifications and positive sales momentum now building
- Over £1m from Power Generation
- Various opportunities in the broader industrial and alternative energy sectors
- Benefits of commercial and technical co-operation agreements with other coatings companies

* Approximate, subject to sales mix, customer scheduling etc.

FY23:

- H1's positive sales momentum is expected to continue into H2
- Whilst mindful of ongoing economic uncertainties and headwinds, including further cost inflation, the Board expects results for the full financial year to be in line with its expectations

And beyond:

- Hardide should continue to benefit from significant growth opportunities over the short, medium and longer term from increasing market adoption of its unique patented coatings technology which helps enable customers to improve operational efficiency and resilience, achieve lower life cycle costs and reduce their carbon footprint