Interim Results

for the six month period to 31st March 2024

Andrew Magson - Non-Executive Chair
Steve Paul – Interim CEO
Simon Hallam - Finance Director

Agenda

- Overview
- Board changes
- Income statement development
- Commercial update
- Business improvement initiatives and funding
- Business Development
- Outlook



Overview

- Return to EBITDA and net cash flow break-even in last 2 months, since the fund raise
- Revenues growing again, benefiting from launch of the pre-coated product strategy
- Matt Hamblin will become Hardide's new CEO on 3 June
- Current interim CEO Steve Paul to continue in a business development role
- Cash break-even point of the business lowered by over 20% in last 18 months
- Available cash balance of over £0.7m at 31 March 2024
- New asset backed loan of US$315k secured in May
- Adjusted EBITDA positive performance expected for the full year
  (prior to one-off restructuring costs)
- Targeting run rate net cash positive performance by the financial year end

Board Changes

Chief Executive succession

- Credible, experienced commercial leadership of the Group
- Highly aligned with our strategy of accelerating revenue growth

1. Matt Hamblin to commence as Hardide's new CEO on 3 June

   - Matt has been a NED of Hardide since November
   - Ex-CEO of Keronite (PEO coatings): led growth into profit and sale to Curtiss Wright in 2022
   - Recently commercial VP at Nyobolt - high performance battery technology

2. Current interim CEO Steve Paul continues in a business development role

   - Career long experience in coatings / surface treatment, mainly at Linde /Praxair
   - Has run his own successful consultancy in Germany for the last 5 years:

     focus on business development and performance improvement with similar companies

Income Statement Development

£m	2m to 31.3.24	H1 FY24	H1 FY23	FY 23
Revenue	**0.9**	**2.1**	2.9	5.5
Gross profit	**0.4**	**0.9**	1.3	2.6
Gross margin %	**48.3%**	**41.0%**	46.7%	47.5%
Overheads	**(0.4)**	**(1.4)**	(1.5)	(2.9)
EBITDA	**-**	**(0.5)**	**-** *	**(0.1)** *
Depreciation	**(0.1)**	**(0.4)**	(0.5)	(0.9)
Financing	**-**	**(0.1)**	(0.1)	(0.2)
PBT	**(0.1)**	**(1.0)**	**(0.6)**	**(1.2)**

- Last 2 months’ run rate revenues have shown significant recovery
- Run rate gross margins now ahead of prior FY levels
- Overheads continue to be lowered in drive to become EBITDA and cash positive by year end

Note: EBITDA in H1 23 and FY 23 benefited from £0.2m of non-recurring property lease gains

Commercial Update

Revenue analysis:

£m	H1 24 (£m)	H1 23 (£m)	% change	H1 24 % total	H1 23 % total
Energy	0.8	1.9	-53%	42%	64%
Industrial	0.8	0.9	-19%	36%	33%
Aerospace	0.5	0.1	+400%	22%	3%
Total	2.1	2.9	-27%	100%	100%

- Energy: impacted by de-stocking earlier in the FY, Russia/Ukraine conflict and US land drilling. Some recent recovery in demand. New projects under discussion.
- Industrial: de-stocking earlier in the period, now recovered and stable.
- Aerospace: significant growth with visibility into 2025. New applications under development with near term potential.
- Enhanced pre-coated product strategy – recently launched with initial sales in March. Very promising enquiry levels.

Business improvement initiatives

- Action being taken to get closer to customers / commercial decision makers
- Enhanced customer and product profitability analysis, assisting pricing and margin improvement
- Enabling much better prioritising of business development projects
- Overhead structure continues to be refined to better align to current size of the business whilst maintaining agility to be entrepreneurial and realise growth opportunities
- Over the last 18 months we have taken action to improve margins and lower overhead costs by over £1.5m lowering the cash break-even point by over 20% in revenue terms
- Pricing, margin and cost improvement actions continue post H1 period end

Funding

- Available cash balances at 31 March were £0.7m (30 Sept 23: £0.7m)
- Cash break-even since the £0.75m net February fund raise
- US$315k asset backed loan secured in May
- Now trading broadly at EBITDA and cash break even
- Targeting a cash flow positive run rate by financial year end
- If sales revenues fell more than 15% below latest base case sales plans, absent further action that could be taken on cost and margin improvement, we might need to ask for further funding
- We are managing the business to avoid this
- In light of all the above, the interim accounts have been prepared on a going concern basis

Business Development

Diversifying sources of revenue to accelerate growth

Development of CVD coatings as a service

- Sands screens for oil and gas
- Further aerospace development – range and customer development
- Power generation – new build and maintenance

Enhanced pre-coated product range, recently launched

- Components for thermal spray equipment, promising initial feedback and sales
- Other industrial applications under trial
- Modest working capital investment

Solution selling and additional opportunities

- Solution selling to win differentiated customer specifications for CVD coatings
- Increased presence in North America to leverage Martinsville spare capacity
- Potential to sell, lease and licence capacity to customers
- Development of new markets in emerging technologies
  - including current grant funded developments in hydrogen manufacture and storage

Outlook

FY24:

- In view of current run rate and momentum, we expect a much improved H2 with revenues ahead of prior H2 levels
- Further action is ongoing to improve margins and lower overhead costs
- Management expects an EBITDA positive performance in H2 and for the full year, prior to one off restructuring costs (expected c.£0.4m)
- Targeting a run rate cash flow positive performance by the financial year end

And beyond:

- Under new leadership, the Board is confident Hardide is now much better positioned to realise the significant value inherent in its unique high performance coatings technology

Appendix: Cash Flow Summary

£m	H1 FY24	H1 FY23	FY 23
EBITDA	(0.5)	-	(0.1)
Change in working capital	0.1	(0.1)	0.3
Capital expenditure	(0.1)	(0.1)	(0.1)
Interest	(0.1)	(0.1)	(0.2)
Tax	-	0.1	0.2
Financing: equity, debt/leases (net)	0.5	(0.3)	(0.6)
Sale & leaseback / other	0.1	0.5	0.5
Net cash flow	**-**	**-**	**-**

Net period end cash balance	**0.7**	**0.7**	**0.7**

- Break-even cash performance since the February 2024 fund raise

Appendix: Balance Sheet Summary

£m	31 Mar 2024	30 Sept 2023	Change
Plant & equipment	4.3	4.6	(0.3)
Right of use assets	1.6	1.7	(0.1)
Working capital	0.4	0.4	-
Capital invested	**6.3**	**6.7**	**(0.4)**
Cash	0.7	0.7	-
Loans*	(0.7)	(0.8)	0.1
Lease liabilities**	(2.2)	(2.3)	0.1
Shareholders' funds	**4.1**	**4.3**	**(0.2)**

* Loans at 31 March 2024 repayable within one year were £0.3m

** Lease liabilities at 31 March 2024 repayable within one year were £0.2m

Disclaimer

This document is being made available for information purposes only and neither it nor any oral presentation made in connection with it constitute or form part of, and should not be construed as, an offer, invitation or inducement to purchase or subscribe for any securities or to enter into investment activity in any jurisdiction nor shall it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever nor in making any investment decision.

This document does not constitute either advice or a recommendation regarding any securities of the Company. Any person who is in any doubt about the subject matter of this document should consult an authorised person in their applicable jurisdiction. This document does not purport to contain all the information that a recipient may want or require in investigating the Company. Any party must rely upon ~~his~~its own inquiries and investigations.

Unless specifically attributed to another source, any targets, forecasts, estimates and projections contained in this document have been prepared by the management of the Company and involve elements of subjective judgement and analysis which may or may not be correct. In addition, certain statements contained in this document or in documents referred to in it or in any presentation made in connection with it are or may be forward-looking statements. Actual results may differ from those expressed in such statements, depending on a variety of factors. Any forward-looking information contained in this document or in any presentation has been prepared on the basis of a number of assumptions that may prove to be incorrect, and accordingly, actual results may vary. Certain percentages appearing in this document may also have been rounded and accordingly, may not add up to the precise sum of the totals expressed. Certain financial data has also been rounded and, as a result, the totals of data presented may vary slightly from the actual arithmetic totals.

The information set out herein (or the entire document itself) may be subject to updating, completion, revision and amendment and such information may change materially or even be permanently withdrawn. Accordingly, it must not be (in whole or in part) reproduced, distributed, stored or introduced into a retrieval system of any nature.

Neither the Company nor its advisers nor any of their respective directors or employees or any other person makes any representation or warranty, express or implied, as to the accuracy or completeness of the contents of this document or any accompanying presentation. In particular, but without limitation, no representation or warranty is given as to the achievement or reasonableness of, and no reliance should be placed on, any assumptions, targets, forecasts, projections, estimates or prospects with regard to the anticipated future performance of the Company. No responsibility or liability is accepted by any such person for any errors, misstatements or omissions in this document or any other such document or information. The exclusions set out in this paragraph do not extend to an exclusion of liability for, or remedy in respect of, fraudulent misrepresentation. Neither the Company nor its respective advisers or any of their respective directors or employees nor any other person shall be obliged to provide the recipient with any further information or to update this document or correct any inaccuracies that become apparent.

This document has not been nor will it be approved by an authorised person in accordance with section 21(2)(b) of the Financial Services and Markets Act 2000 and is accordingly only directed at (i) persons having professional experience in matters relating to investments, being investment professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (“FPO”), (ii) persons falling within Article 43 of the FPO (including existing members of the Company), (iii) persons falling within Article 49(2)(a) to (d) of the FPO (including high net worth companies and unincorporated associations), (iv) (where lawful in the recipient's applicable jurisdiction) persons outside of the United Kingdom pursuant to Article 12(1)(b) of the FPO and/or (v) persons to whom communication may otherwise be lawfully made, (together “relevant persons”). This document must accordingly not be acted on or relied upon in any way by any persons who are not relevant persons. By accessing and reading this document and attending any presentation, each recipient warrants, represents, acknowledges and agrees that it is a relevant person.

Neither this document nor anything contained herein shall form the basis of, be relied on or act as an inducement in connection with, any offer or commitment whatsoever and is not directed at, nor intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation or which would require any registration or licensing within such jurisdiction. In particular, this document and the information contained herein are not for publication or distribution to persons in the United States (within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended) nor in Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa or any other jurisdiction where to do so may be prohibited. Recipients of, or persons otherwise accessing this document or any accompanying presentation in, jurisdictions outside the United Kingdom should inform themselves about and observe any applicable legal requirements. Any failure to comply with these restrictions may constitute a violation of the laws of the relevant jurisdiction.

This document, and any matter or dispute (whether contractual or non-contractual) arising out of it or out of any oral presentation made in connection with it, shall each be governed by and construed in accordance with English law and the English courts shall have exclusive jurisdiction in relation to any such matter or dispute.

Hardide® Coatings

Thank you