



Interim Results

for the 6 month period to 31st March 2020

Highlights of H1 2020

Record half year revenues of £3.02m – up 29%




Flow control sales up 49%



Oil & Gas sales up 30%



Queen's Award for Enterprise-
Export growth




Relocation project still on track for
completion in September 2020




Fourth US reactor delivered April
2020



Simon Hallam appointed as
Finance Director April 2020



International patent filing for
turbine blade protective
coating



Supply agreement negotiated
with major Airbus supplier



Good progress with Airbus
towards orders

Financial Overview H1 FY20



Record half year revenue: £3.02m
- Increase of 29%



Gross profit: £1.66m
- increase of 58%



Gross margin: 55%
- Up from 45%



EBITDA: £0.03m (after IFRS16
adjustment and relocation costs)

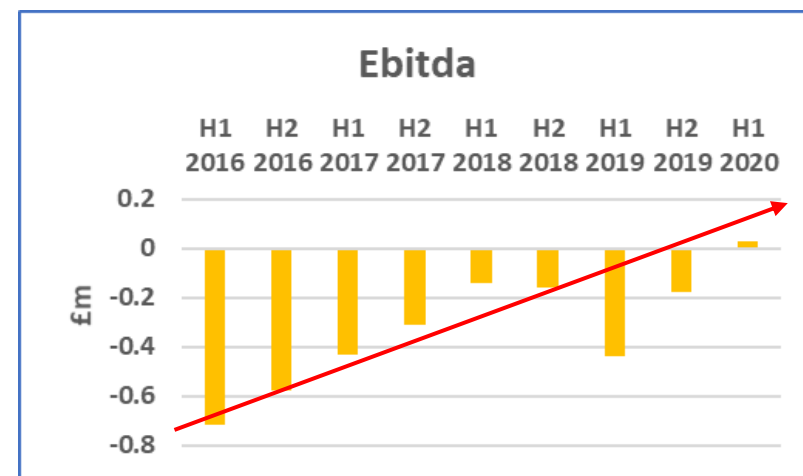
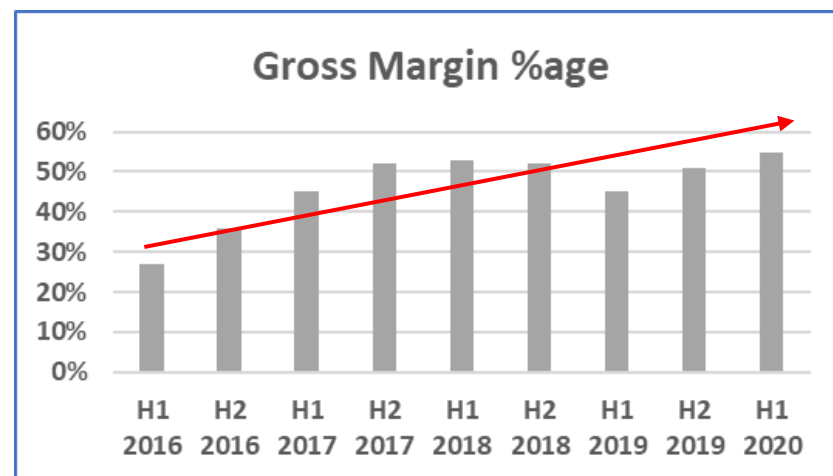
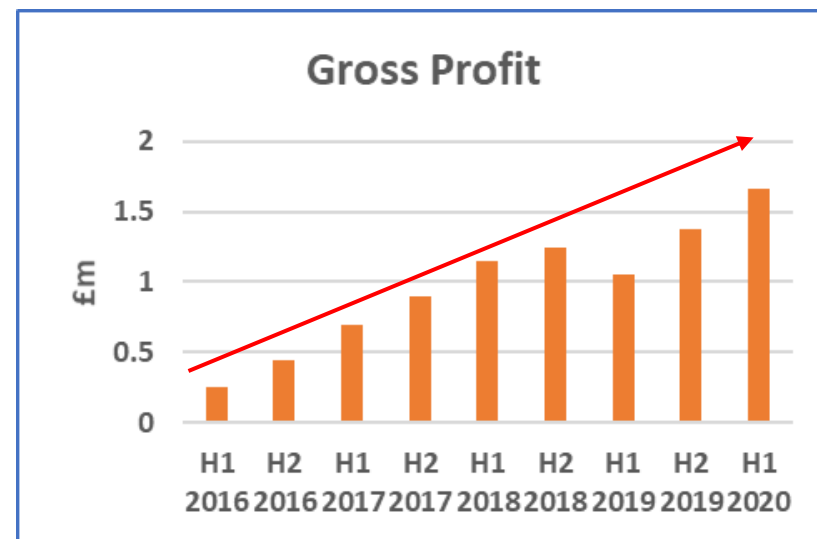
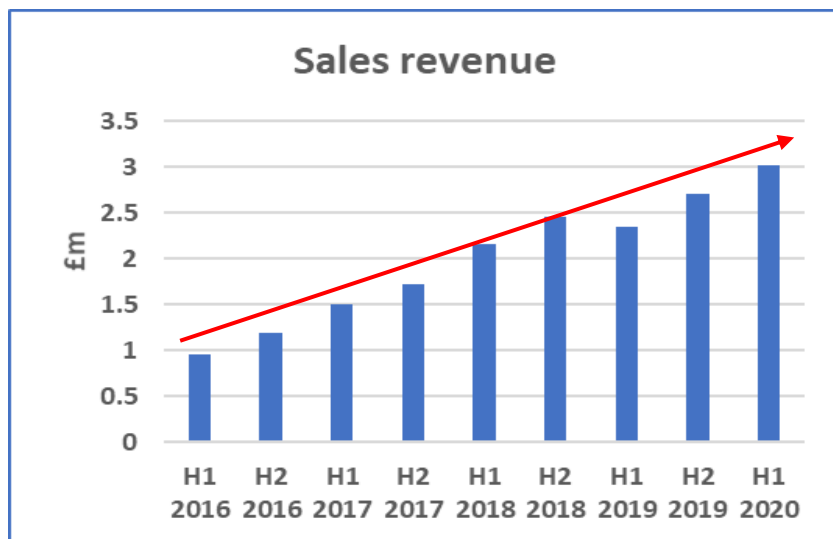


Fundraise: £2.35m (net)



Cash at bank: £4.88m

Financial Trends – Steady Growth



* EBITDA for H1 2020 is adjusted for IFRS 16

Financial Commentary

Excellent H1 performance with record sales

H1 2020 saw much improved performance on H1 2019:

Sales revenue 29% higher

Gross Profit up 58% to £1.66m

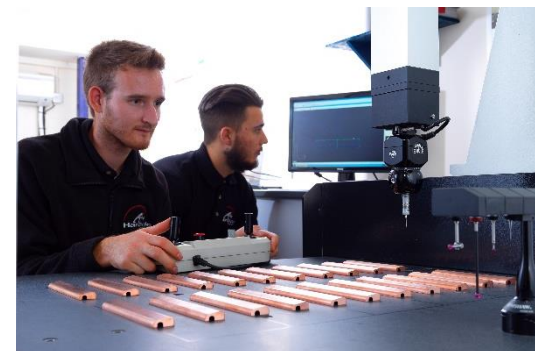
Stronger mix of sales as higher margin orders continued

Gross margin improved to 55% from 45%

EBITDA of £0.03m (adjusted for IFRS 16) compared with IFRS 16 adjusted loss of £0.37m in H1 2019

Fundraise of £2.5m gross

Cash at Bank £4.88m



Key Markets



Oil & Gas

- Used by leading service providers: Schlumberger, Halliburton, GE/Baker Hughes – in downhole and subsea applications

Flow Control

- Severe service pumps & valves for demanding environments

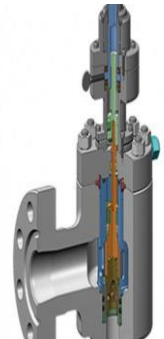


Precision Engineering

- Power generation, plastics extrusion, baggage X-ray machines, silicon wafer production

Aerospace

- BAE, Airbus & Lockheed Martin approved, Leonardo approval in progress, multiple applications with other companies



Aerospace Update

Airbus: First low volume production order received for A380 wing compression pads – long term demand for replacements on existing fleet - more expected

Airbus: Supply agreement negotiated with major Tier 1 supplier for A330 wing components– now finalising drawings for conversion to Hardide coating.



Leonardo Helicopters – unavailability of test rig delayed final testing – due to resume shortly

Two NATEP grant-funded projects successfully completed



Multiple developments ongoing with major aerospace companies in UK, EU and North America

First production orders received for Lockheed Martin's new F35 Joint Strike Fighter - replacing HVOF coating



UK Site Relocation Update

£2.5m (gross) raised in January 2020:

Enables the creation of a state-of-the-art pre-treatment and coating facility with new and more efficient equipment from the outset with improved environmental performance

Allows the existing UK coating reactors to be upgraded to latest specifications – gaining benefits already proven in the US

Gives more space and better production area layout

Two new reactors delivered – one currently in operation

Some staff already transferred to new site with balance to follow in July/August

Project on track for completion in September 2020



Both UK and US sites have been working as normal throughout with little disruption to activity

Reduced numbers on site by home working, very limited use of furlough and utilising office space at new site



Social distancing and sanitizing measures in place

So far, no major changes in customer demand



Outlook



Orders strong going into H2 – little significant disruption seen so far due to COVID19



Mindful of potential order book disruption in H2



Robust cash position of £4.89m- actions taken to preserve cash



Further orders for Airbus A380 and A330 components expected



UK site relocation project on track for completion in September



Financials

Consolidated income statement

£m	2016/17		2017/18		2018/19		2019/20
	H1	H2	H1	H2	H1	H2	H1
Sales	1.51	1.73	2.16	2.45	2.35	2.70	3.02
Variable Gross Margin %	73%	77%	75%	71%	68%	72%	74%
Fixed costs of sales	0.42	0.43	0.46	0.51	0.55	0.57	0.59
Gross Profit %	45%	52%	53%	51%	45%	51%	55%
Overheads	1.11	1.22	1.29	1.42	1.48	1.56	1.63
EBITDA	(0.43)	(0.31)	(0.14)	(0.16)	(0.44)	(0.18)	0.03

Balance sheet

£k	2016/17		2017/18		2018/19		2019/20
	H1	H2	H1	H2	H1	H2	H1
Assets*	2,007	1,802	1,868	2,392	2,413	3,121	8,651
Cash	1,563	1,212	3,233	3,302	5,348	4,809	4,881
Net working capital	227	294	342	(301)	591	343	(595)
Liabilities & provisions*	(12)	(17)	(65)	(314)	(433)	(575)	(3,197)
Capital Employed	3,785	3,291	5,378	5,079	7,919	7,698	9,740
Equity	13,547	13,548	16,018	16,081	19,532	19,660	22,007
Losses	(9,648)	(10,060)	(10,377)	(10,925)	(11,583)	(11,964)	(12,311)
Other reserves	(114)	(197)	(263)	(77)	(30)	2	44
Shareholders' funds	3,785	3,291	5,378	5,079	7,919	7,698	9,740

*Right of use assets created of under IFRS 16 (modified transitional approach) resulting in £2,275k assets and £2,378k liabilities at H1

Cash flow

£k	2016/17		2017/18		2018/19		2019/20
	H1	H2	H1	H2	H1	H2	H1
Net Operating Cash	(295)	(291)	(138)	530	(1,203)	126	844
Net Investing Cash	(100)	(52)	(360)	(527)	(321)	(785)	(3,336)
<i>Share Issues</i>	-	-	2,470	63	3,451	127	2,348
<i>Finance Lease</i>	(9)	(8)	(2)	-	-	-	402
<i>Lease Principal</i>	-	-	-	-	-	-	(73)
<i>Loan Changes</i>	-	-	51	3	119	(7)	(19)
<i>Grant repaid</i>	-	-	-	-	-	-	(94)
Net Financing Cash	(9)	(8)	2,519	66	3,570	120	2,564
Net Cash At Start	1,967	1,563	1,212	3,233	3,302	5,348	4,809
Net Cash At End	1,563	1,212	3,233	3,302	5,348	4,809	4,881

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