



Preliminary Results

for the year to 30th September 2020

Highlights of 2020

Full year revenue £4.8m: 6% down on FY19 due to COVID-19 effect in H2



Strong H1, H2 hit badly by COVID



Fundraise of £2.5m (gross)



Aerospace sales up 19%



Simon Hallam appointed as Finance Director April 2020



Flow Control sales up 9%



Site relocation completed on-time and on-budget



Precision Engineering sales up 4%



Airbus production orders started



Energy sales down 14%



Queen's Award for Enterprise-International Trade



Sales equally split 49% to UK & North America



Sector diversification continues



Martinsville 33% of group sales

Financial Overview FY20

Record H1 revenue: £3.0m
H2 affected by reduced O&G demand
due to COVID

Gross profit: £2.3m
-only slightly lower despite COVID

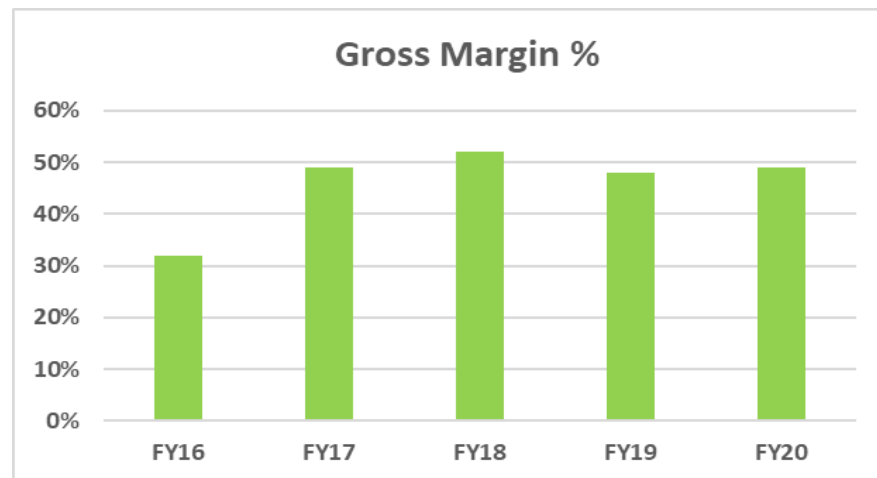
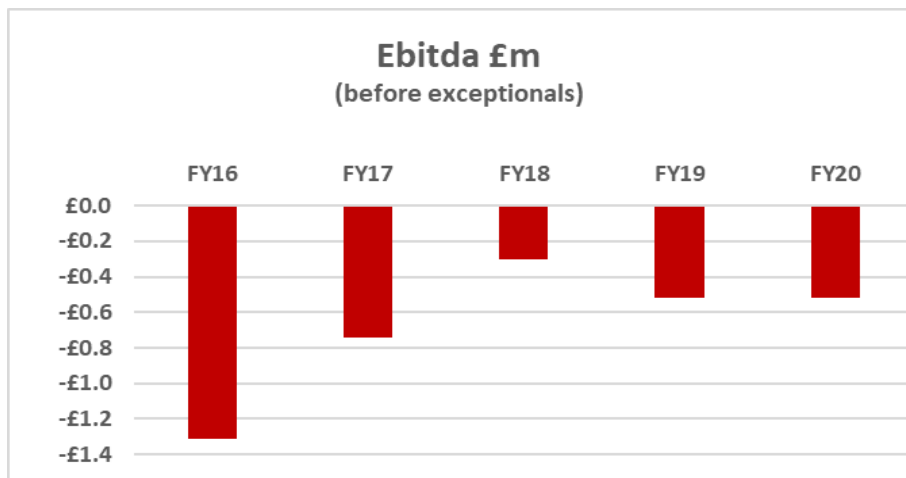
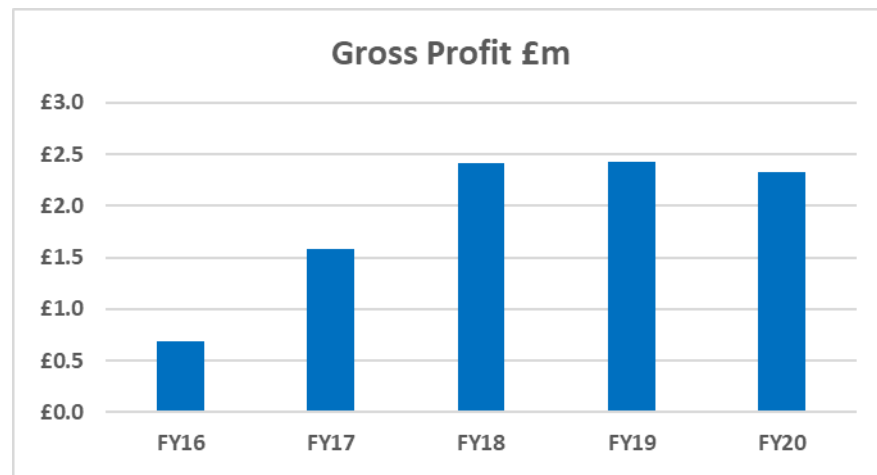
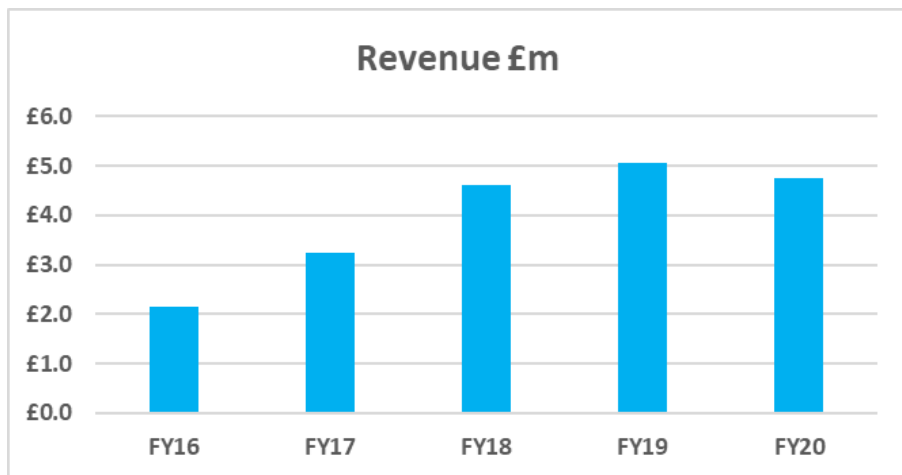
Gross margin: 49%
-maintained

EBITDA loss: £0.5m
(before exceptionals and after IFRS
adjustment)

Fundraise: £2.5m (gross)

Cash at bank: £2.7m

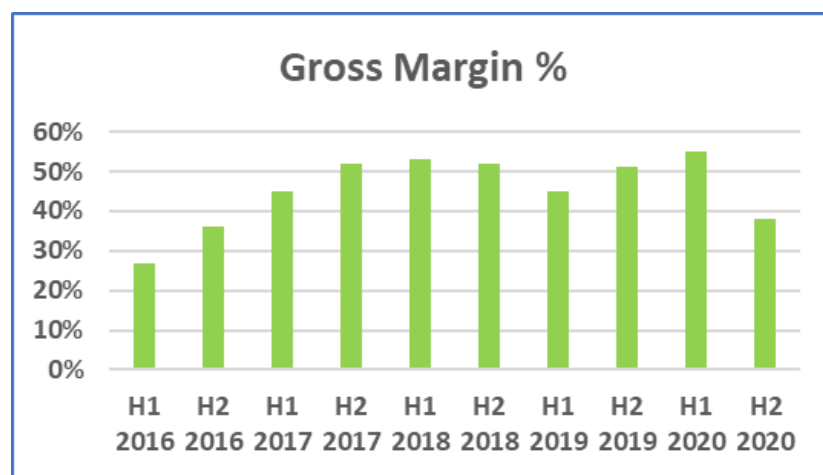
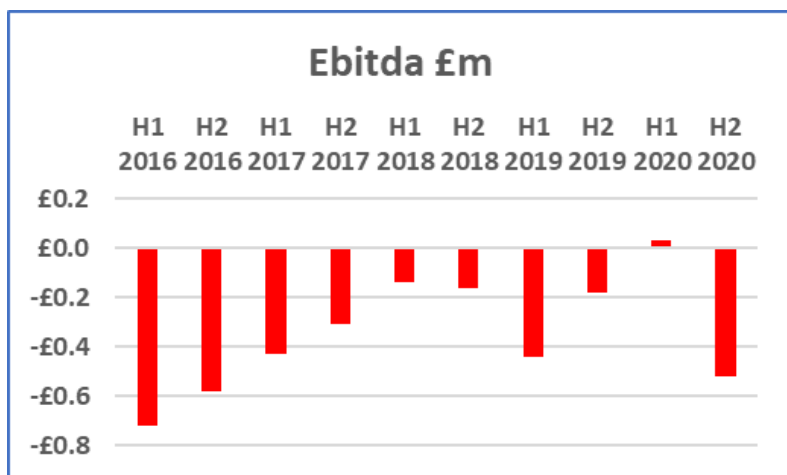
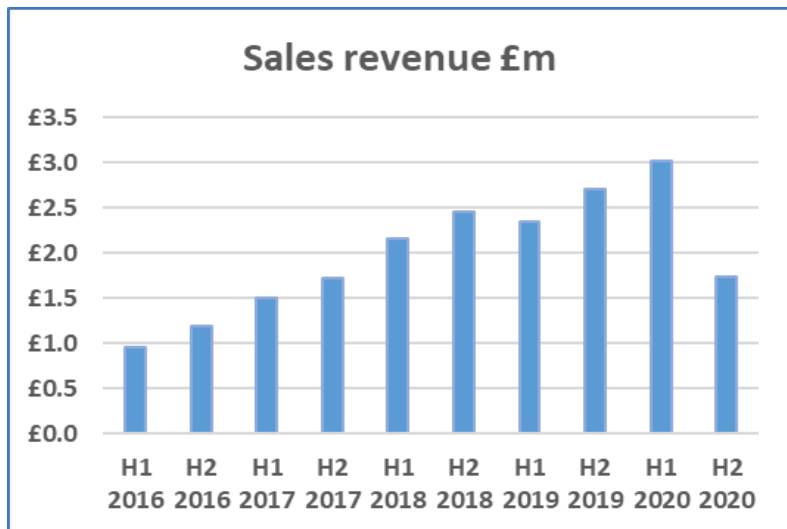
Financial Trends (Full Years)



FY20 includes £0.2m relocation costs

Financial Trends (Half Years)

Clear Covid-19 effect in H2



Strong H1 but slower H2 due to reduced O&G demand
– full year sales 6% lower than FY19

H1 EBITDA break-even:
H2 £0.5m EBITDA loss

- Site relocation costs of £0.2m for the year
- Gross margin maintained despite lower revenue
- Overhead costs down by 6%

- One-off benefits in FY20:
 - US employee grant support: \$200k
 - NATEP projects grants: £121k
 - IFRS16 effect on EBITDA: +£0.4m

Cash balance at 30
September: £2.7m

- £0.3m allocated for completion of relocation project

Actions to improve
cash in FY21

- 6 month rent payment holiday on new premises: £90k
- Reduction on Wedgwood Rd lease: £23k
- Furloughing of staff where appropriate
- Tight expenditure controls

Cash reserves sufficient for forecast requirements

Operational Update

Site re-location completed on time and within budget-operational from August 2020

Two new reactors (one large) installed in Bicester

One new reactor installed in Martinsville

Group has 9 reactors compared to 6 at end 2019

Two new nickel strike lines (one large line) and new component cleaning equipment

Much improved environmental and emission controls

Large reactor increases size capability to 1.5m -opens up more opportunities



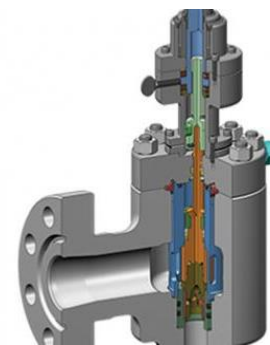
Brexit – well prepared, no significant disruption expected





Energy

- Depressed O&G market - forecast to recover in H2 2021- see separate graph...
- Demand forecasts elusive from oil service companies
- Subsea sector demand has remained strong
- Significant new opportunities in coating filtration screens
- Exciting new opportunities in Renewable energy
- Increasing demand from solar cell sector



Flow Control

- Demand from main US pump customer has been maintained
- Severe service valve market depressed, but early signs of recovery





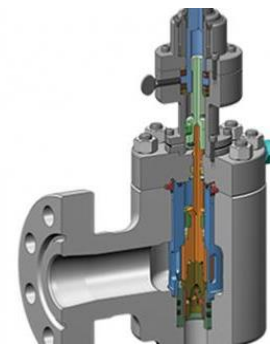
Aerospace

- Approved already by: BAE Systems, Airbus, Triumph Aerospace & Lockheed Martin
- Leonardo Helicopters approval underway
- Multiple applications with other companies
- See separate slide....



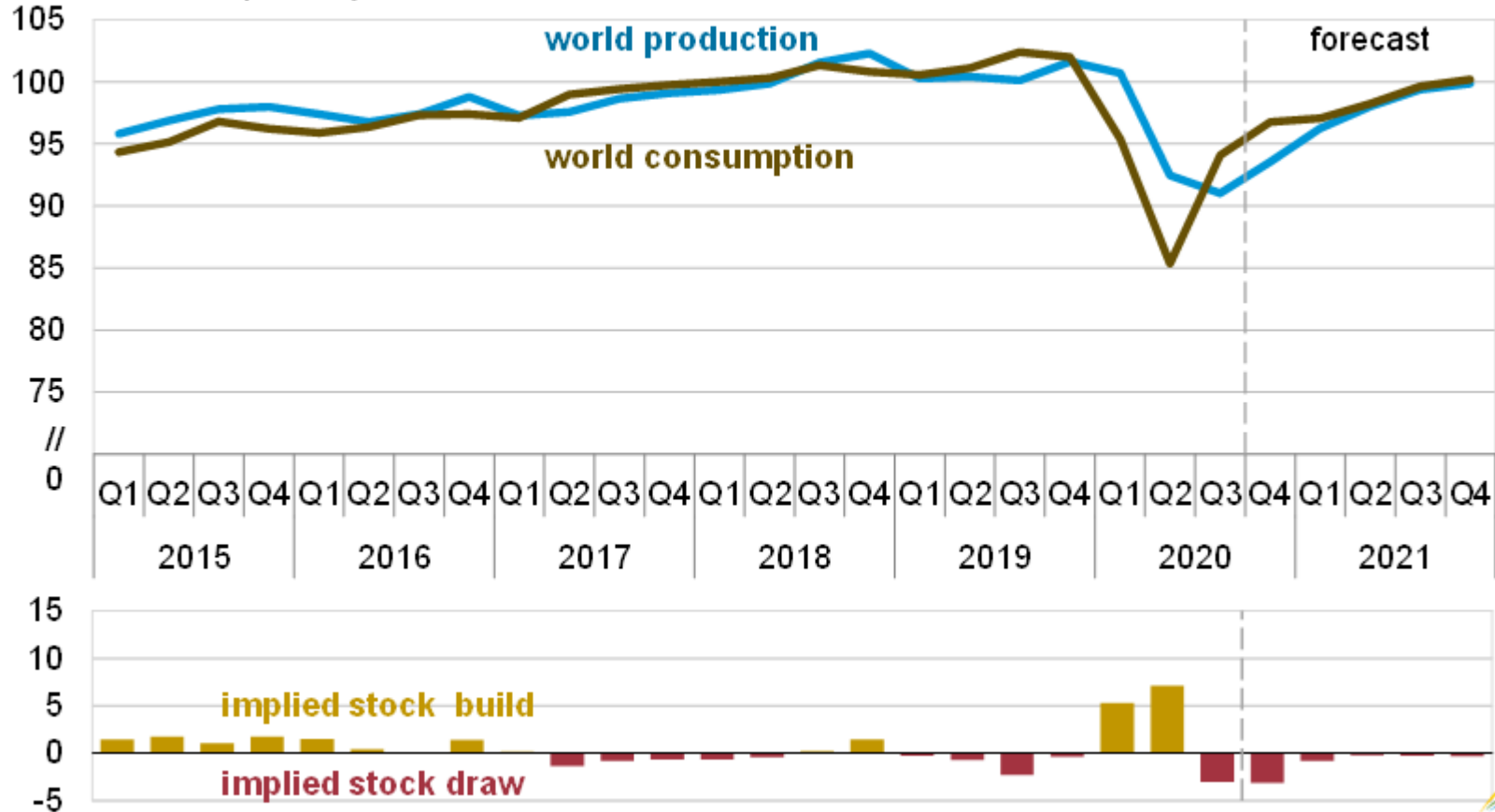
Power Generation and Precision Engineering

- EDF trials in 2021 and plans for field testing in 2022
- European manufacturer already promoting coated blades for turbine refurbishments
- X-ray machine customer demand for components maintained



Oil Production / Demand Forecast

World liquid fuels production and consumption balance
million barrels per day



Source: U.S. Energy Information Administration, Short-Term Energy Outlook, November 2020



Aerospace Update

Airbus: production orders received for **A380** wing compression pads – long term demand for replacements on existing fleet

Airbus A330/A320: Supply agreement with major Tier 1 supplier for **A330 & A320** wing components



Emirates' President, Tim Clark: "...by end of next calendar year or the first quarter of 2022 we'll have all of our 114 **A380s** flying"

Continuing orders for coating components for **BAE Systems' Typhoon** and **Lockheed Martin's F35 JSF**



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

Leonardo Helicopters – transmission components still under test – expected completion Spring 2021



Relocation to Longlands Road Site

Relocation completed August 2020

Twice working area with room for expansion

- 2 new reactors - 1 large: size up to 1.5m
- Total of 9 reactors: 5 UK and 4 in US
- New component cleaning machine
- 2 new nickel strike lines: 1 large
- Airbus approval of site due Spring 2021

Much improved environmental performance

- Enhanced emission controls
- Low energy lighting
- High security premises



Short term is difficult to predict but positive market forecasts for oil & gas recovery in H2 2021

Airbus approvals for Longlands Rd in Spring 2021 will enable transfer of remaining reactor and closure of old site

Production orders for Airbus A380 and A320 components expected to commence in H2

Developments in 'Clean Energy' sector

Confident that upward trajectory of demand will return

Balance sheet under careful management and sufficient for forecast requirements



Financials

Consolidated Income Statement



£m	2017/18		2018/19		2019/20	
	H1	H2	H1	H2	H1	H2
Sales	2.16	2.45	2.35	2.70	3.02	1.73
Variable Gross Margin %	75%	71%	68%	72%	74%	72%
Fixed costs of sales	0.46	0.51	0.55	0.57	0.59	0.58
Gross Profit %	53%	51%	45%	51%	55%	38%
Overheads	1.29	1.42	1.48	1.56	1.63	1.26
EBITDA	(0.14)	(0.16)	(0.44)	(0.18)	0.03	(0.57)

Balance Sheet

£k	2017/18		2018/19		2019/20	
	H1	H2	H1	H2	H1	H2
Assets	1,868	2,392	2,413	3,121	8,651	8,916
Cash	3,233	3,302	5,348	4,809	4,881	2,715
Net working capital	342	(301)	591	343	(595)	210
Liabilities & provisions	(65)	(314)	(433)	(575)	(3,197)	(3,004)
Capital Employed	5,378	5,079	7,919	7,698	9,740	8,837
Equity	16,018	16,081	19,532	19,660	22,007	22,032
Losses	(10,377)	(10,925)	(11,583)	(11,964)	(12,311)	(13,210)
Other reserves	(263)	(77)	(30)	2	44	15
Shareholders' funds	5,378	5,079	7,919	7,698	9,740	8,837

Cash Flow

£k	2017/18		2018/19		2019/20	
	H1	H2	H1	H2	H1	H2
Net Operating Cash	(138)	530	(1,203)	126	844	(1,233)
Net Investing Cash	(360)	(527)	(321)	(785)	(3,336)	(753)
<i>Share Issues</i>	<i>2,470</i>	<i>63</i>	<i>3,451</i>	<i>127</i>	<i>2,348</i>	<i>24</i>
<i>Finance Lease</i>	<i>(2)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>402</i>	<i>-</i>
<i>Lease Principal</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(73)</i>	<i>(148)</i>
<i>Loan Changes</i>	<i>51</i>	<i>3</i>	<i>119</i>	<i>(7)</i>	<i>(19)</i>	<i>(56)</i>
<i>Grant repaid</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(94)</i>	<i>-</i>
Net Financing Cash	2,519	66	3,570	120	2,564	(180)
Net Cash At Start	1,212	3,233	3,302	5,348	4,809	4,881
Net Cash At End	3,233	3,302	5,348	4,809	4,881	2,715

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