

AGM presentation

JUNE 2023

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Surface Transforms – trading update

A leading supplier of carbon ceramic brake discs to the performance & luxury car manufacturers

- 🌀 Sales for 6 months to 30 June 2023 approximately £3.3m (2022: £2.9m)
 - H1 revenues represents over 80% increase in manufacturing output
- 🌀 Manufacturing output ramping up progressively in Q2
 - Q1 manufacturing constraint has not recurred
- 🌀 Minor capacity constraints highlighting manufacturing resilience weaknesses
 - Small production constraint impeding pace of ramp up
- 🌀 Building additional capacity in 2023
 - Excess capacity over demand anticipated in Q4 2023
- 🌀 Further capacity building for 2024 and beyond
 - Capacity required to support contracted model launches in 2024, particularly OEM10
- 🌀 Strengthening management team
 - COO & CFO joining in September 23
- 🌀 Focus continues to be on ramp up and establishing manufacturing resilience

Business development

Sustainable growth with strong order book and prospective contract pipeline (PCP)



OEM 5	German car manufacturer
OEM 6	British performance car manufacturer
OEM 7	Swedish performance car manufacturer
OEM 8	Global car manufacturer
OEM 9	New car manufacturer
OEM 10	US car manufacturer
Other OEMs	Engaged in numerous sourcing discussions

6 OEM contracted customers

11 contracted models

3 contracted models in series

Lifetime contract value c. £290m

Average contract life c. 6 yrs

Prospective contract pipeline¹ c. £393m

Market conditions

Effectively navigating challenges on global issues and local scale up risks



1 SOP - start of production, PCP – prospective contract pipeline

2 This is based on the directors' expectations and their understanding of the relevant OEM's production plan and estimated demand for discs

Operations

Technical challenges resolved with opportunities for further improvement

- Major technical manufacturing difficulties not recurred
 - Significant increase in manufacturing output comparing H1 2022 to H2 2023
- Manufacturing ramp up
 - Progressive ramp through Q2
 - Pace of ramp up hindered
 - Small production constraints
 - Limited manufacturing resilience
 - Continuing ramp into early Q3
- Staffing
 - Strengthening of management team for 2023 with COO and CFO
 - Successful graduate & apprenticeship programmes completed for 2023
 - Tight labour market for manufacturing engineering resources
- Energy
 - Gas price at anticipated levels with limited impact
 - Electric
 - Spot pricing for electricity in H1 with fixed price contracts expired
 - New fixed price contract agreed and in line with expectations for H2 2023 & H1 2024
 - New capacity furnaces anticipated to provide electric cost offset and cost saving
- Cyber security & business systems
 - Cyber security development programme launched with additional security added
 - Focus on development of business systems for future productivity



Environment



Brake dust pollution



Reduces CO2 emissions in use



Reduces Carbon footprint over lifetime



Captures & stores Carbon in manufacturing process



Recycle waste carbon gases

Reduce energy usage



Social



Apprenticeships, graduate programmes in deprived area



School links on STEM development



Governance



Increased independence

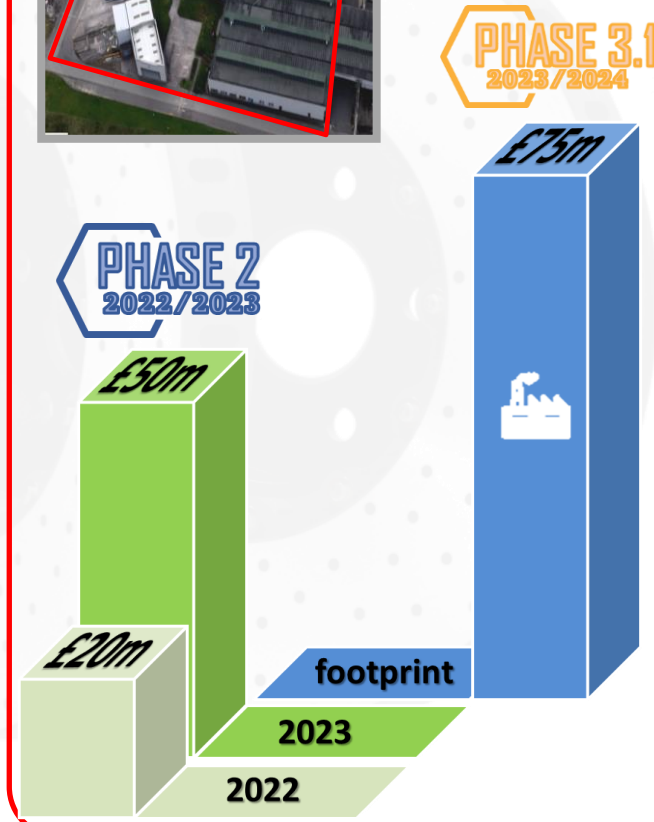
Manufacturing Capacity

Supporting awarded contract growth and providing resilience

- Phase 1 completed providing £20m/yr capacity
 - Running at full capacity in second half of 2023
 - Delivers capacity required to support current launched model contracts
 - Capacity constraint until Q4 and limited manufacturing resilience
- Phase 2 capacity build planned to increase capacity to £50m/yr
 - Provides additional capacity for resilience and growth in 2024
 - Global supply chain challenges being managed
 - Key furnace investments will provide additional capacity in Q4 2023
- Phase 3.1 full factory investment - £75m/yr
 - Provides additional capacity for resilience and growth in 2025
 - Purchase order placed for a number of manufacturing processes
 - Final equipment orders in negotiation
- Capacity planning for 2026 ongoing
 - Power grid distribution adding complexity to site expansion plans

terms of heat management and lifetime

Expected capacity revenue



Summary

Sustainable and recurring OEM contracts in place

- Demand from contracted models being supported
- Strong order book (£290m) and PCP (£393m)
- Sustainable growing revenues from contracts in 2023, 2024 & 2025

Focus is on ramp up and manufacturing capacity

- Manufacturing output ramping through Q2 with more needed
- Capacity constraints hindering ramp up with limited manufacturing resilience
- Capacity expected to exceed demand in Q4 2023
- Additional capacity building for 2024 to support contracted model launches

Half year highlights

- Revenue growth with significant increase in manufacturing output
- New COO & CFO appointed to strengthen management team

Outlook

- Continuing ramp up for high revenue growth from in series model contracts
- Focused on utilising existing capacity and building additional capacity