



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



- 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

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.

- 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

- 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

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
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- 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

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