



Kevin Johnson, CEO and Isabelle Maddock, CFO

September 2023





Chief Executive Officer
Dr Kevin Johnson

Kevin has a doctorate in Chemistry from the University of Liverpool and an MBA from Manchester Business School. He has spent six years in product development for the chemical industry and has a broad experience with OEM multinationals in the area of new technology development for automotive and aerospace industries. Previously he worked for Avecia, formerly AstraZeneca. Kevin joined the company in 2005 and the board as CEO in 2006.

Kevin is one of the world's foremost authorities on carbon ceramics and has significant experience of strategic management in the automotive sector.



Chief Financial Officer
Isabelle Maddock

Prior to this Isabelle was Chief Financial Officer for 9 years at James Cropper Plc a £130m manufacturing Group of highly engineered industrial performance veils and paper materials. Isabelle is a Fellow of the Chartered Institute of Management Accountants with over 30 years of experience and has held a number of financial roles across a variety of sectors covering manufacturing (Angus Fire Armour, Ethicon Ltd) software (Adobe Systems Europe Ltd), retail (Landmark Ltd), PFI (Haden Building Management Ltd) and publishing (CGP Ltd). Isabelle is Chair of the CBI's Economic Growth Board and joined the Board of Surface Transforms in September 2023.

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About Surface Transforms

Manufactures carbon-ceramic brake discs for automotive



Automotive brake discs

- Brake components installed on all four wheels of the car
- Key safety and performance feature of the vehicle
- Integrated complex system
- Braking achieved by the caliper pressing the brake pads against the brake disc
- Carbon ceramic discs are a replacement technology for grey cast iron



A leading supplier of carbon ceramic brake discs

- Premium product with proprietary technology
- Advanced manufacturer with significant expansion opportunity
- High growth with contracted models worth £290m and PCP of £420m
- Expanded facility capable of delivering £150m capacity revenue by 2026 with profitability and free cash flow to support future growth
- £2b/yr addressable market



H1 2023 Highlights

Continued Revenue Growth

- Revenue growth of 15% to £3.3m in H1 2023 (H1-2022: £2.9m)
- Lower than plan due to H1 technical challenges
- ✓ Now meeting customer requirements

Profit

- Gross margin maintained at 60%
- Substantial outlay to overcome technical challenges
- ✓ Significantly strengthened team in technical and engineering roles

Ongoing Investment positioning the business for future revenue streams

- ✓ £4.8m in H1 2023 (H1-2022: £2.8m) – expected to be in the region of £8m by end of year
- ✓ Uniquely designed furnaces in place and increase in proprietary know how
- ✓ New CFO Isabelle Maddock and new COO Stephen Easton joined September 2023

Positive Outlook Continues

- ✓ A strong order book with 11 contracted models
- ✓ Prospective contract pipeline of £420m
- ✓ Lifetime value of contracts now £290m
- ✓ Further announcement on contract wins expected this calendar year
- ✓ Demand continues to grow and customer spread increases



HY 2023 Financial Performance

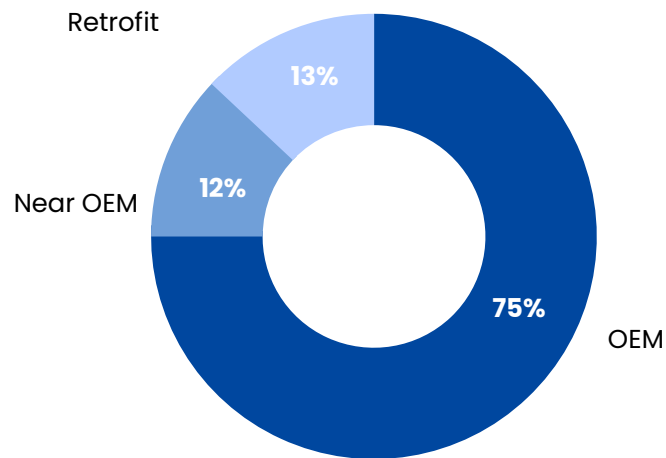
Revenue up, loss greater due to ramp up issues which have been overcome



Revenue Analysis

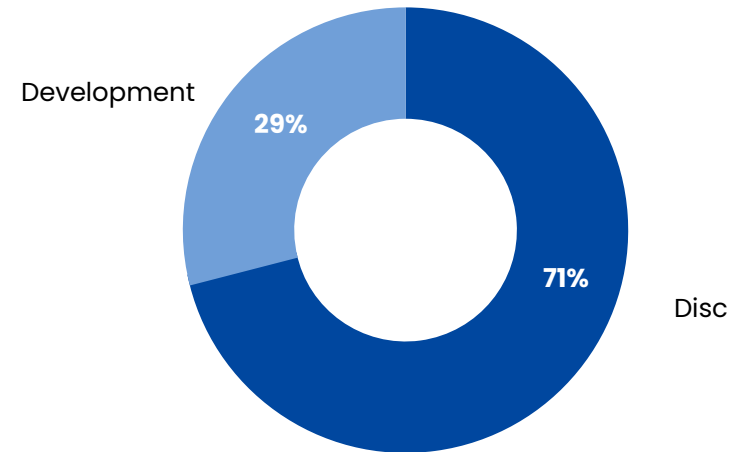
Revenue up OEM weighting up

By Customer Type
Half Year 2023



	H1 2023	2022	2021
OEM	75%	52%	44%
Near OEM	12%	22%	17%
Retrofit	13%	26%	39%

By Category
Half Year 2023



	H1 2023	2022	2021
Development	29%	29%	15%
Discs (Incl Freight)	71%	71%	85%



Half Year Results 2023

Financial Highlights

	H1 2023	H1 2022	Change
	£m	£m	£m
Revenue	3.3	2.9	0.4
Gross Margin	0.6	0.6	(0.0)
R&D Expenses	4.1	2.5	1.6
Admin Expenses	2.5	1.6	0.8
Operating Loss	(4.6)	(2.4)	(2.2)
Non-Recurring items	(0.8)		
Loss before tax	(5.4)	(2.4)	(3.0)
Tax	0.6	0.3	0.3
Loss for the period after Tax	(4.8)	(2.2)	(2.7)

Our loss was greater, at £5.5 million compared to £2.6 million in the same period last year. This is due to a number of ramp-up issues that we experienced as we increased our production capacity to meet growing demand.

These ramp-up issues cost £2.5m and include

- Equipment failures & scrapped production due to product defects
- Costly tooling repairs, machine wear and tear and high utilisation of machine consumables

Management do not expect these outlays to re-occur, and the investment has provided;

- ✓ improved production processes,
- ✓ unique furnace design and capability

Non – recurring items total £0.8m

- £0.5m impact of variable rate energy costs. Costs now fixed to March 2024
- £0.3m relating to restructuring and temporary consultancy costs



Half Year Results 2023

Cash Highlights

	H1 2023	H1 2022	Change
	£m	£m	£m
Cash Flow from Operations	(5.3)	(3.3)	(2.1)
Capital Expenditure	(4.8)	(2.8)	(2.1)
Movement in Cash	(10.4)	(6.5)	(3.9)
Cash and Cash Equivalents	4.5	6.7	(2.2)

Our cash has dropped to £4.5m compared to £6.7 million in the same period last year.

- ✓ Despite the outlays in H1 2023 these are not expected to re-occur.
- ✓ Income streams increase as we meet customer requirements
- ✓ Strategic investment commitments are progressing well
- ✓ On track to deliver £75m capacity

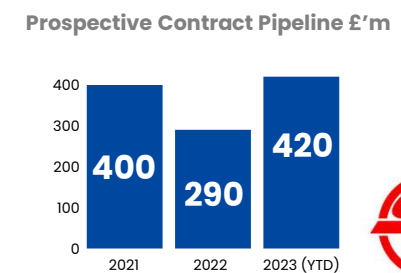
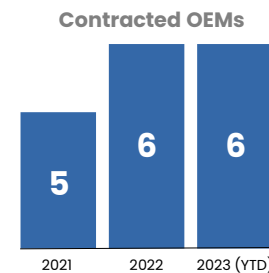
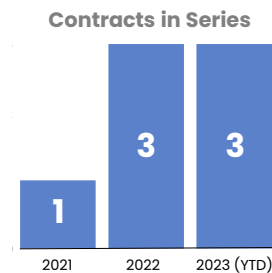
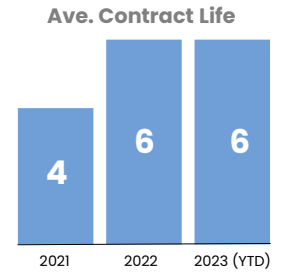
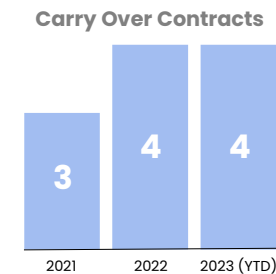
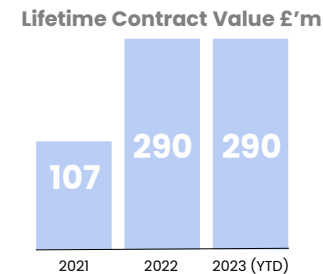


Business Development KPI's

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

- Model contracts in series driving revenue growth
- Contracted models & contract life providing sustainable, high growth over coming years
- Average contract life reaching typical mainstream contract length
- Broader customer base & carry over contracts accelerating demand and expanding PCP
- Customers very supportive and working closely with ST on demand schedules now that technical issues are resolved

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



Market Development

Effectively navigating challenges global issues and local scale up risks



Capital Investment in Manufacturing Capacity

£20m/yr

Capacity in Place – Supports Current Contracts

- Installed and in production
- Progressive ramp up in Q3 and will continue through Q4
- Fully utilised during Q4 2023

£50m/yr

Capacity Expansion – Phase 2

- Provides capacity to support 2024 demand & capacity resilience
- Installation reaching final stages
- Available for production in early 2024

£75m/yr

Phase 3 – Factory Investment Commenced

- Required for capacity resilience and growth in 2025
- Remaining equipment defined and in negotiation

£150m/yr

For 2026/27 Capacity Planning

- Land and buildings for expansion plans being finalised
- Equipment and process technology in development



ESG

Environment:

- Product is renowned for reducing brake dust, light weighting and durability
- Energy strategy targets carbon reductions through new furnace technology
- Potential to recycle/reuse carbon gases in manufacturing process
- Accredited to ISO 14001 : 2015



Social:

- We have have taken on 3 apprentices and 9 graduates, 26% of our workforce are graduates
- Employee health and wellbeing is promoted through health surveillance for lung function, hearing, eye care, as well as mental health support through Health Assured assistance program
- Accredited to ISO 45001 : 2018
- All employee partnership share plan coming soon



Governance:

- Onsite dedicated cybersecurity resource and selected partners to retain coverage of expertise
- Policies and procedures modelled on the NIST framework and CIS critical security controls are continually updated as the business environment develops



Outlook

- Meeting customer requirements
- Growth in production rate throughout the year expected to accelerate in Q4
- Increasing demand from a spread of customers
- Manufacturing capacity for £50m expected 2024 and £75m in 2025
- £150m capacity plan
- FY 2024 in line with market expectations



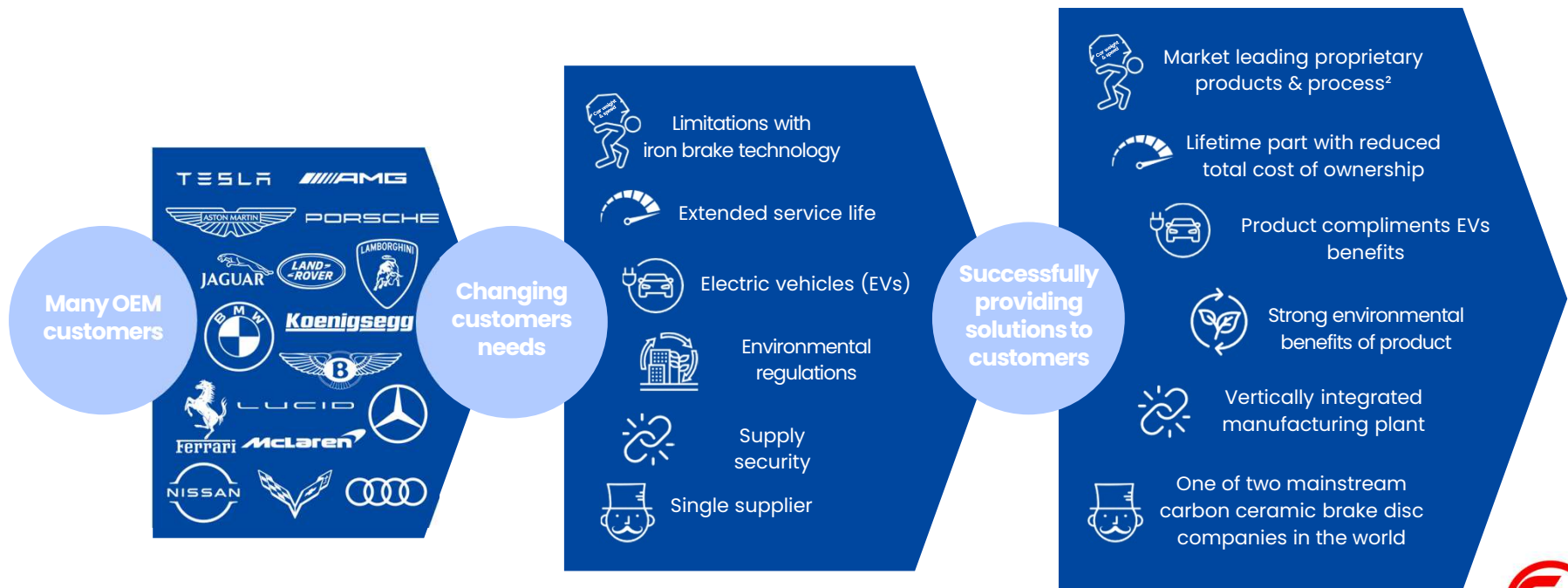
Appendices

- Market drivers
- Proprietary Process
- Lead Time with an OEM
- Board of Directors



Automotive Market Drivers

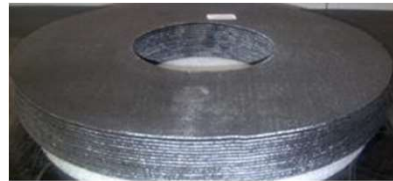
This is based on the directors' expectations and their understanding of the relevant OEM's production plan and estimated demand for discs. This is based on the directors' experience and understanding of the market.



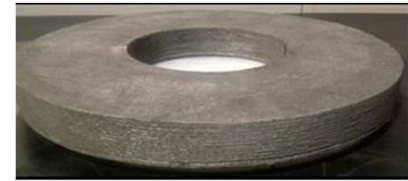
Proprietary Process



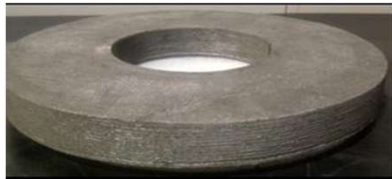
Ox-Pan Preform



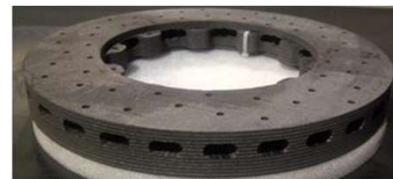
Carbonisation



Chemical Vapour Infiltration



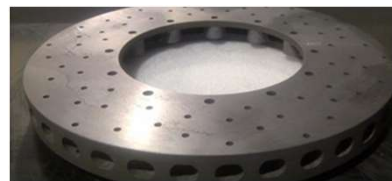
Heat Treatment



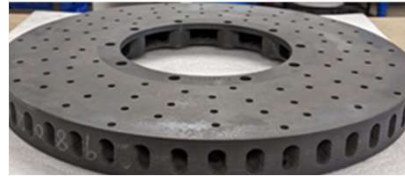
Carbon- Carbon Machining



Melt Infiltration



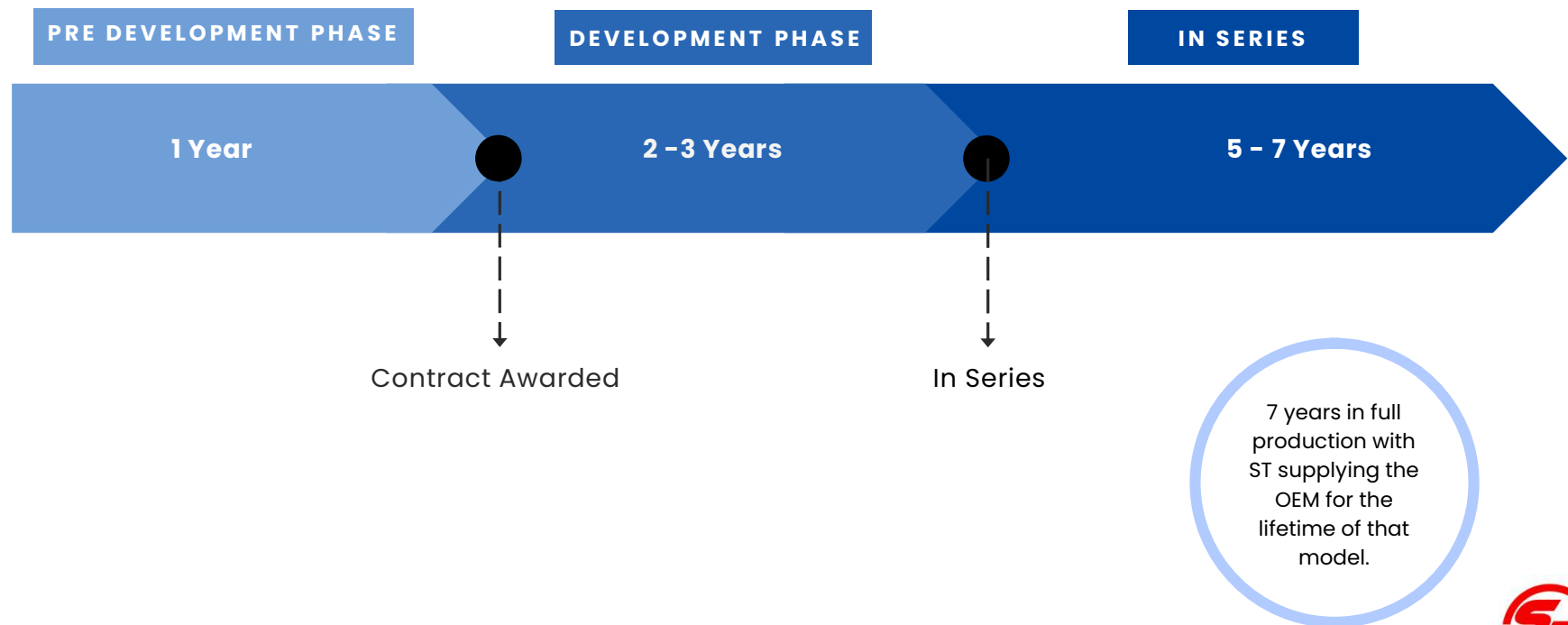
Ceramic Machining



Ceramic Friction Layer



Lead Time with an OEM



Board of Directors



David Bundred, Non Executive Chair

David has industrial experience at senior management levels in the UK, Germany and the US and is now an active investor with “a hands on” focus in a small number of high growth companies. He previously had a 24 year long career until 1999 at Lucas, which included positions as General Manager of the Lucas Brake Controls and Lucas Truck Brake Divisions and his last appointment was that of Chief Operating Officer of the worldwide business of Lucas Aerospace. Between 2003 and 2005 he was CEO of TMD Friction Group, a large private German industrial group which is one of the world's leading brake pad system suppliers for the automotive industry.



Dr Kevin Johnson, Chief Executive Officer

Kevin has developed and grown Surface Transforms for more than 15 years within a ever changing automotive market. He has a doctorate in Chemistry from the University of Liverpool and an MBA from Manchester Business School. He has 25 years experience in product development across automotive, aerospace and chemical industries and has a broad experience with OEM multinationals in the areas of new technology development, industrialisation and revenue generation. Previously he worked for Avecia, formerly AstraZeneca.



Matthew Taylor, Senior Independent Director

Matthew joins the Board after retiring from his role as CEO of Bekaert SA in 2020. Bekaert SA is a €5billion, 30,000 employees global steel cord business headquartered in Belgium with 45% of its business in automotive. Prior to this role Matthew was CEO of Edwards Vacuum, CEO of JC Bamford, and Global MD of Land Rover following his early career in sales and marketing roles with Ford after a short spell in the Royal Navy.





Julia Woodhouse, Independent Non Executive Director

Julia spent her executive career with Ford Motor Company where her roles included Director, Global Power Train Purchasing, based in USA and Director, Global Chassis Purchasing, based in Germany. She retired from Ford in 2018 and is currently a non-executive director of Outokumpu a leading global stainless-steel manufacturer based in Helsinki. Julia is also a member of the RICS Standards and Regulations Board.



Ian Cleminson, Independent Non Executive Director

Ian is currently Executive Vice President and Chief Financial Officer of Innospec Inc. ("Innospec"), an international speciality chemical business employing 1,900 personnel, in 23 countries with sales of over \$1.5 billion and quoted on the US NASDAQ exchange with a market capitalisation of over \$2 billion. Ian joined Innospec in 2002 and has served as CFO since 2006. Prior to joining Innospec, Ian held several senior financial management and accounting positions including Financial Controller at a division of BASF and an accountant in practice at KPMG. Ian has a Master of Social Science degree from Birmingham University and is a Fellow of the Association of Chartered Certified Accountants since 1992.



Isabelle Maddock, Chief Financial Officer

Prior to this Isabelle was Chief Financial Officer for 9 years at James Cropper Plc a £130m manufacturing Group of highly engineered industrial performance veils and paper materials. Isabelle is a Fellow of the Chartered Institute of Management Accountants with over 30 years of experience and has held a number of financial roles across a variety of sectors covering manufacturing (Angus Fire Armour, Ethicon Ltd) software (Adobe Systems Europe Ltd), retail (Landmark Ltd), PFI (Haden Building Management Ltd) and publishing (CGP Ltd). Isabelle is Chair of the CBI's Economic Growth Board and joined the Board of Surface Transforms in September 2023.



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