

Xaar 2022 Interim Results

Tuesday 20th September

XAAR

Agenda

- 》 Overview of H1
- 》 Strong financial performance
- 》 Significant strategic progress
- 》 Exciting future
- 》 Summary and outlook



John Mills
CEO



Ian Tichias
CFO

“We have great technology, great people and a large market opportunity. We will be successful.”

John Mills

CEO

XAIR

Strong performance with positive momentum



Strong H1 performance and on track to deliver **full year profit**



Accelerating **operational efficiency** program



FFEI and Megnajet **fully integrated** and a good H1 performance from EPS



Aqueous product still **on track** for Q4 launch

**Strong financial
performance**

XAAZ



Strong financial performance across the group

£M	H1 2022	H1 2021	Var	H2 2021	Var
Continuing Operations					
Revenue	36.6	26.3	10.3	33.0	3.7
Gross Margin	40%	31%	9%	36%	4%
Total Opex	(12.9)	(9.8)	(3.1)	(10.7)	(2.2)
aEBITDA	3.0	0.3	2.7	2.8	0.2
aPBT	1.4	(1.6)	3.0	1.0	0.4
Cashflow	(12.0)	(0.8)	(11.2)	(1.5)	(10.5)
Total Operations					
PAT	0.4	(4.3)	4.7	18.5	(18.1)
Cashflow	(12.4)	(2.2)	(10.2)	7.2	(19.6)

* Figures (£m) and percentage (%) are subject to rounding

£M	H1 2022	H1 2021	Var	H2 2021	Var
Trade WC	26.5	12.7	13.8	19.2	7.3
Cash	12.7	17.1	(4.4)	25.1	(12.4)
Net Assets	69.5	51.3	18.2	68.8	0.7

* Figures (£m) and percentage (%) are subject to rounding

39% revenue growth across the Group, 14% like-for-like

9ppts improvement in gross margin

Positive aEBITDA across each of the business units

Adjusted profit before tax (aPBT) for second consecutive period

Working capital increase due to proactive investment

Healthy cash position and balance sheet with no debt

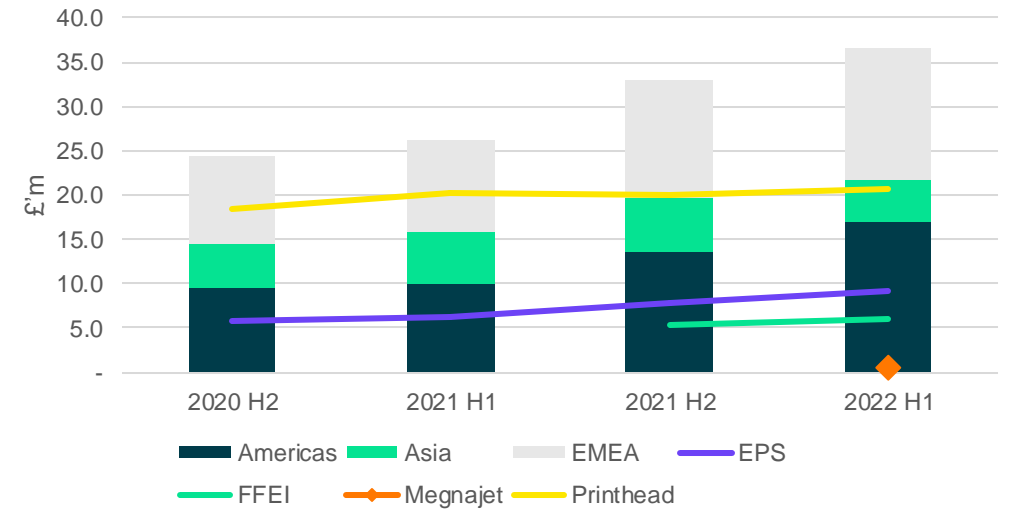
Group revenue continues to grow

Revenue +39% (14% excluding FFEI and Megnajet) vs H1 2021 demonstrating continued momentum

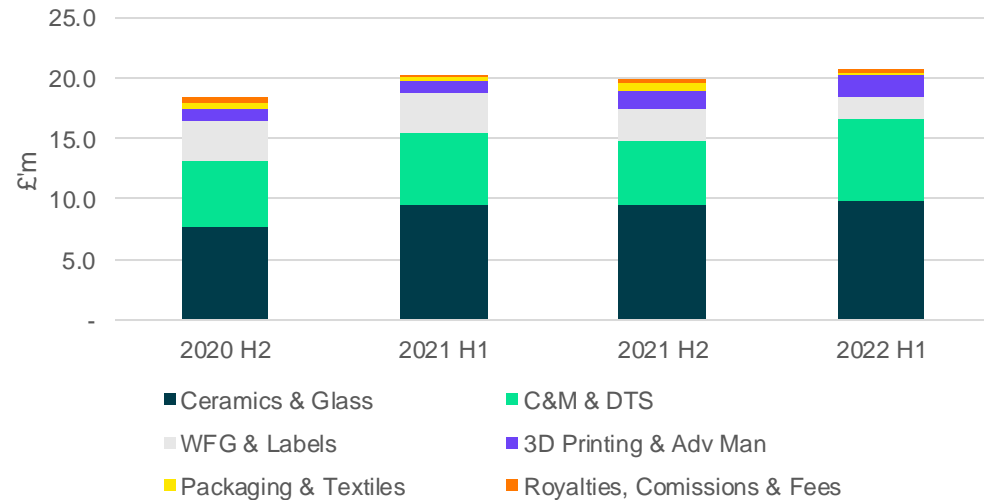
Printhead performance driven by increased revenues in Americas and EMEA as the Ceramics & Glass, C&M & DTS and 3D Printing & Adv Man sectors all grow

EPS revenue driven by increased digital machine sales

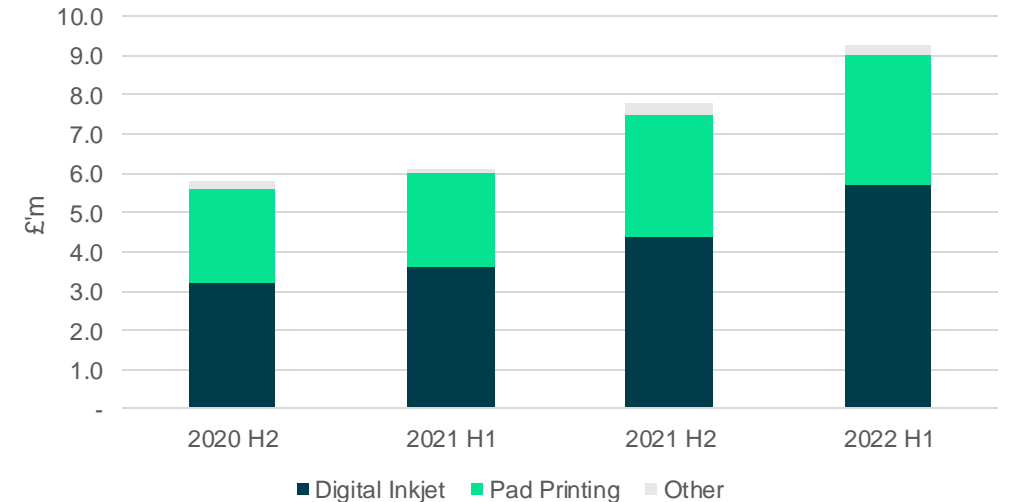
Group Revenue by Region and BU



Printhead Revenue & Sector



EPS Revenue by Technology



Our Printhead business unit continues to improve

Printhead					
£M	H1 2022	H1 2021	Var	H2 2021	Var
Revenue	20.7	20.2	0.5	19.9	0.7
Gross Margin	40%	35%	5%	40%	0%
Total Opex	(8.8)	(7.9)	(0.9)	(7.6)	(1.2)
aEBITDA	0.9	0.8	0.1	1.9	(1.0)
aPBT	(0.4)	(0.8)	0.4	0.3	(0.7)

* Figures (£m) and percentage (%) are subject to rounding

Revenue up 2%

Strong growth in Europe & US offsetting a COVID-19 related slowdown in China

Significant increase in gross margin vs H1 2021

Higher OPEX due to planned investment in key infrastructure

aEBITDA positive and improvement in aPBT compared to H1 2021

EPS business unit stabilised and showing strong revenue growth

EPS					
£M	H1 2022	H1 2021	Var	H2 2021	Var
Revenue	9.2	6.1	3.1	7.8	1.4
Gross Margin	39%	19%	20%	26%	13%
Total Opex	(2.5)	(1.9)	(0.6)	(2.1)	(0.4)
aEBITDA	1.3	(0.5)	1.8	0.1	1.2
aPBT	1.1	(0.8)	1.9	0.0	1.1

* Figures (£m) and percentage (%) are subject to rounding

Revenue up 51% vs H1 2021, driven by growth in digital machine sales

Gross margin up 20% on H1 2021. 11% improvement compared to underlying performance of H1 2021 (28%)

Significant improvement in aEBITDA and aPBT

Balance sheet remains strong

FFEI and Megnajet business units fully integrated

FFEI			
£M	2022 H1	2021 H2	Var
Revenue	6.1	5.3	0.8
Gross Margin	33%	36%	(0.3%)
Total Opex	(1.6)	(1.1)	(0.5)
aEBITDA	0.5	0.8	(0.3)
aPBT	0.4	0.7	(0.3)

* Figures (£m) and percentage (%) are subject to rounding

Megnajet	
£M	2022 H1
Revenue	0.6
Gross Margin	55%
Total Opex	(0.0)
aEBITDA	0.3
aPBT	0.3

* Figures (£m) and percentage (%) are subject to rounding

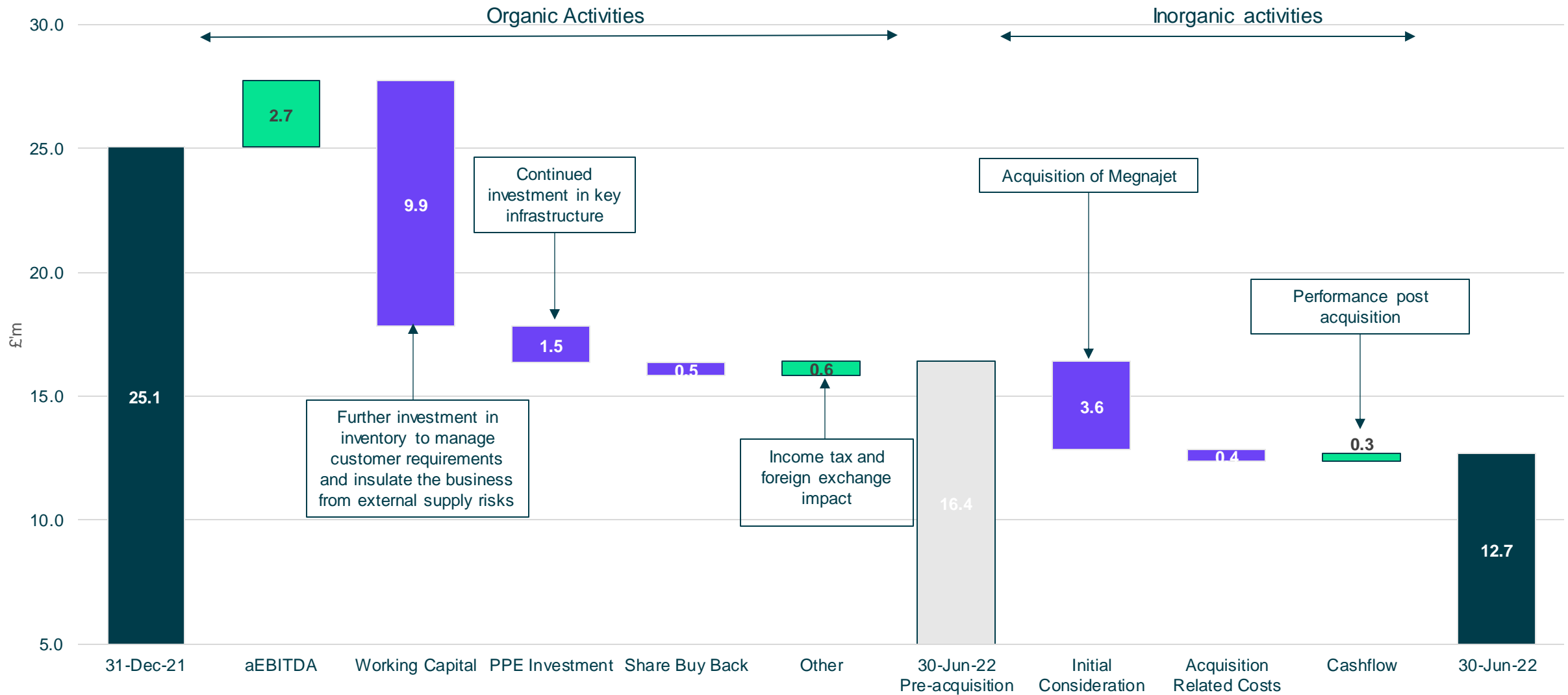
Strong financial performance across both business units

aEBITDA positive and aPBT positive

Business' integrated and already supporting overall Group strategy of more vertically integrated products

Strong demand for our print engines and ink systems which both support wider technology offering

Targeted investment for future growth



Successfully managing macro-economic conditions



- Invested in supply chain to mitigate supply issues
- Some OEM customers have been unable to supply systems affecting printhead orders
- OEM product development due to component obsolescence delaying launch of their printers
- Covid-19 in China is restricting the ability of our OEM customers to do business
- Inflationary pressure is putting margins under pressure



- Despite this we have grown revenue, margins and profit in H1
- We will continue to deliver on the things we can control and work hard to mitigate the impact of those things we can't

Financial summary and take away highlights



Strong **revenue growth** of **14%** on like-for-like for basis



Adjusted profit reported for consecutive periods. Positive aEBITDA across all business units



Working capital investment of **£13m** to mitigate supply chain risks



Strong balance sheet provides **stable platform** for **future growth**



Outlook

Maintain strong organic revenue growth
Continued margin improvement
Return to full year profitability

Xaar Nitrox
Elite

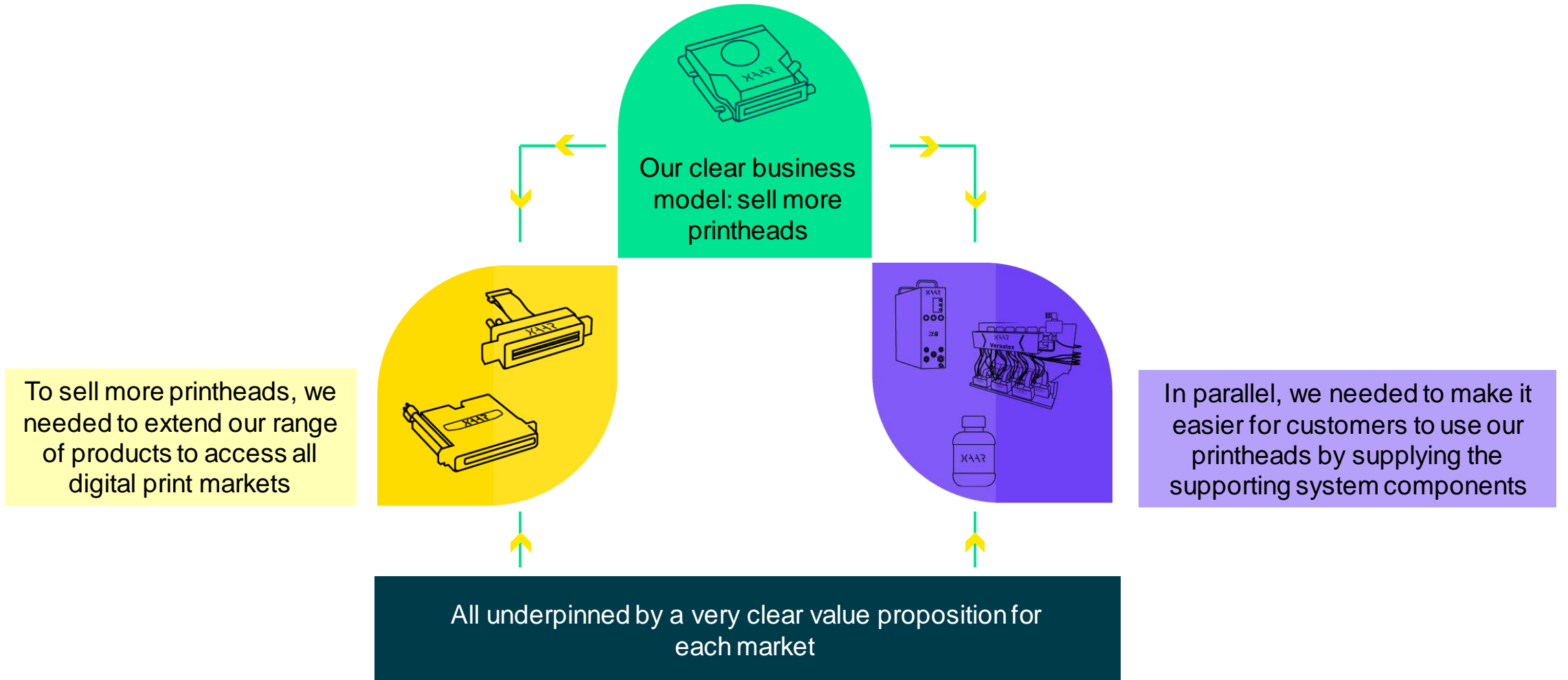
XAAR

A man wearing a white protective suit and a dark cap is standing in a large industrial facility. He is holding a handheld device, possibly a tablet or a specialized phone, and looking at it. The facility is filled with large, complex piping and machinery, suggesting a manufacturing or processing plant. The lighting is bright, and the overall atmosphere is one of a busy, modern industrial environment.

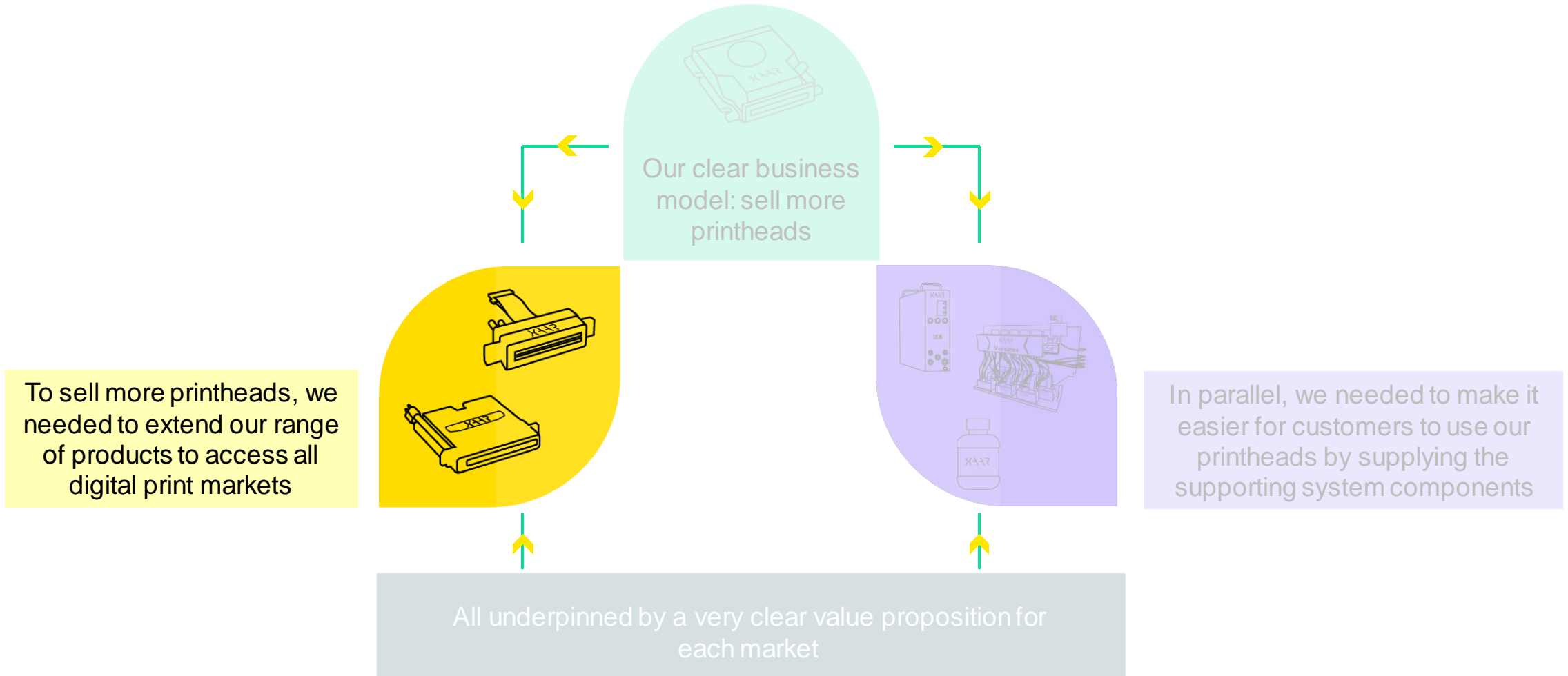
On track with our journey,
our strategy is working
and we are delivering
against plan

XAAZ

The business model is delivering increased customer engagement



We continue to successfully extend our printhead range

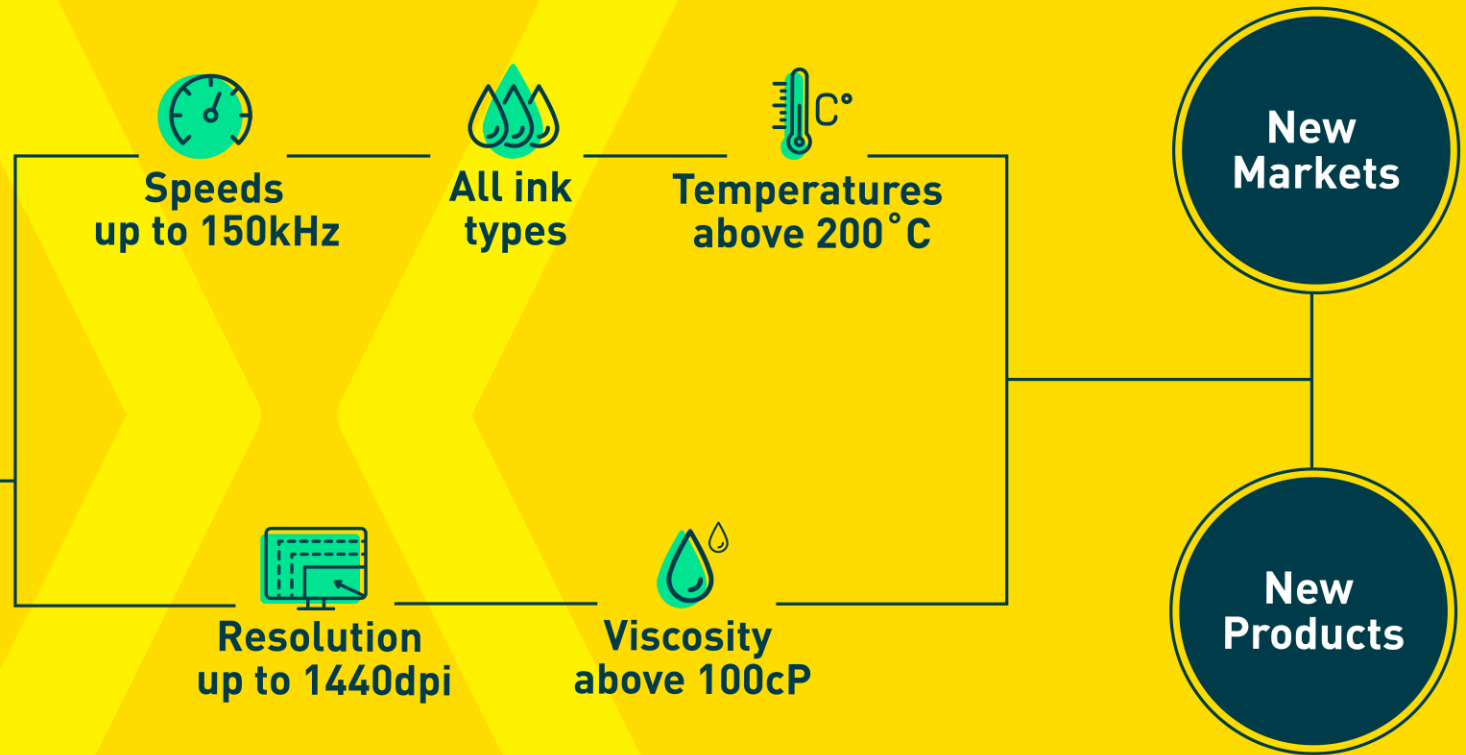


ImagineX

Powering Xaar products for the next 30 years

Gen 1 IP

Powered 30 years of Xaar products


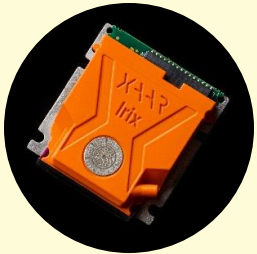
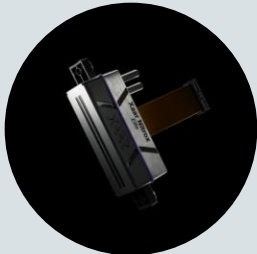



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We have delivered three new products to address these markets

Markets	Ceramics and Glass	C&M and DTS	3D and Adv Man	Packaging and Textiles	WFG and Labels
Market size for printheads	£100m	£100m	£100m	£100m	£500m
Estimated Xaar share	15%	15%	<5%	<1%	<5%
Development needs	Tuned Actuator and AcuChp	Long Throw Distance	High Viscosity High Laydown High Frequency (48kHz)	Aqueous compatibility High speed High resolution	Robust nozzle plate High speed High resolution
Market positions (management estimate)	 Xaar 2002	 Xaar Irix	 Xaar Nitrox		

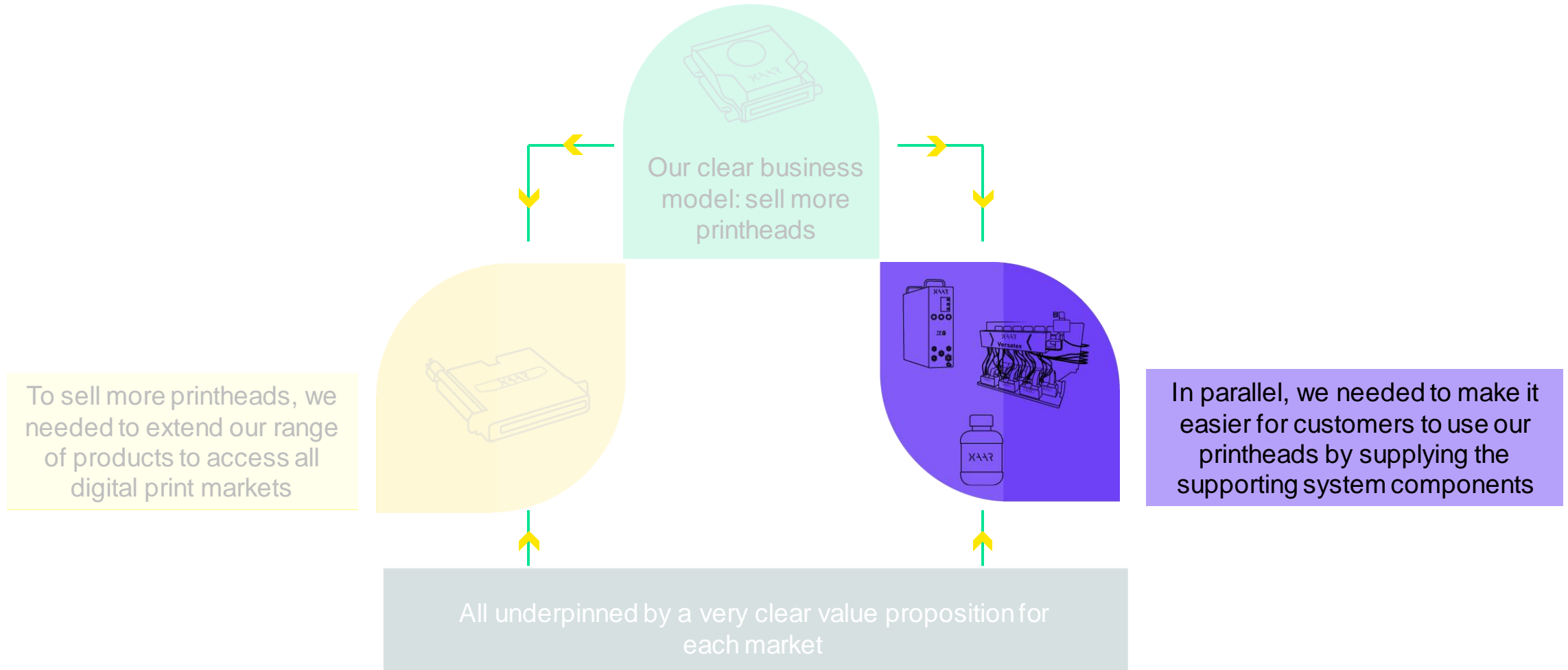
Our Aqueous product is on track for Q4 launch

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New competitive product for Graphics and Labels in 2024

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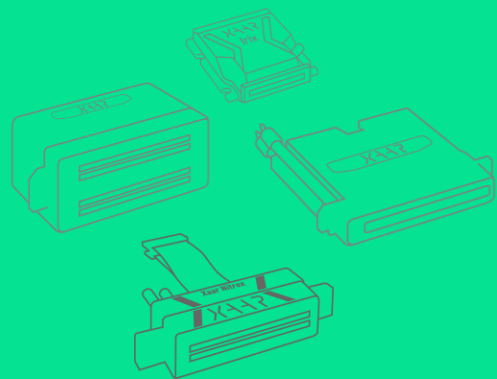
The business model is delivering increased customer engagement



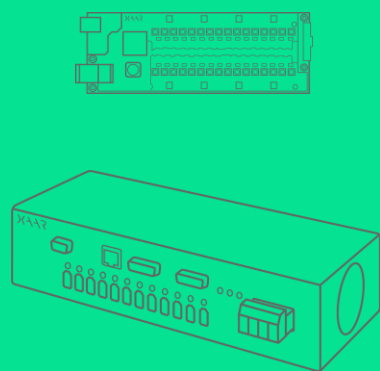


The Inkjet Opportunity

Printheads



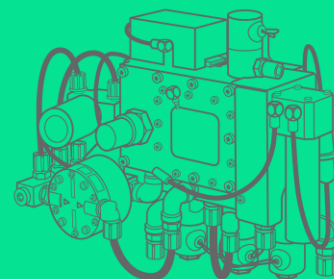
Electronics & datapath



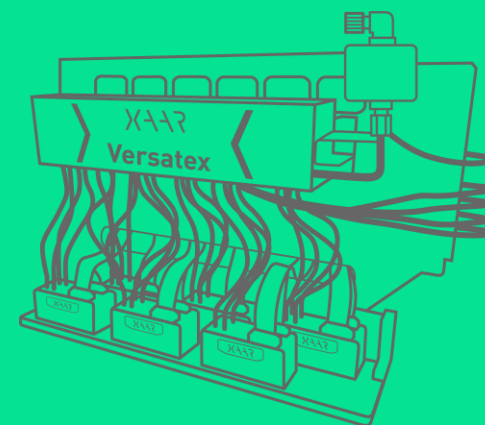
Inks



Ink supply systems



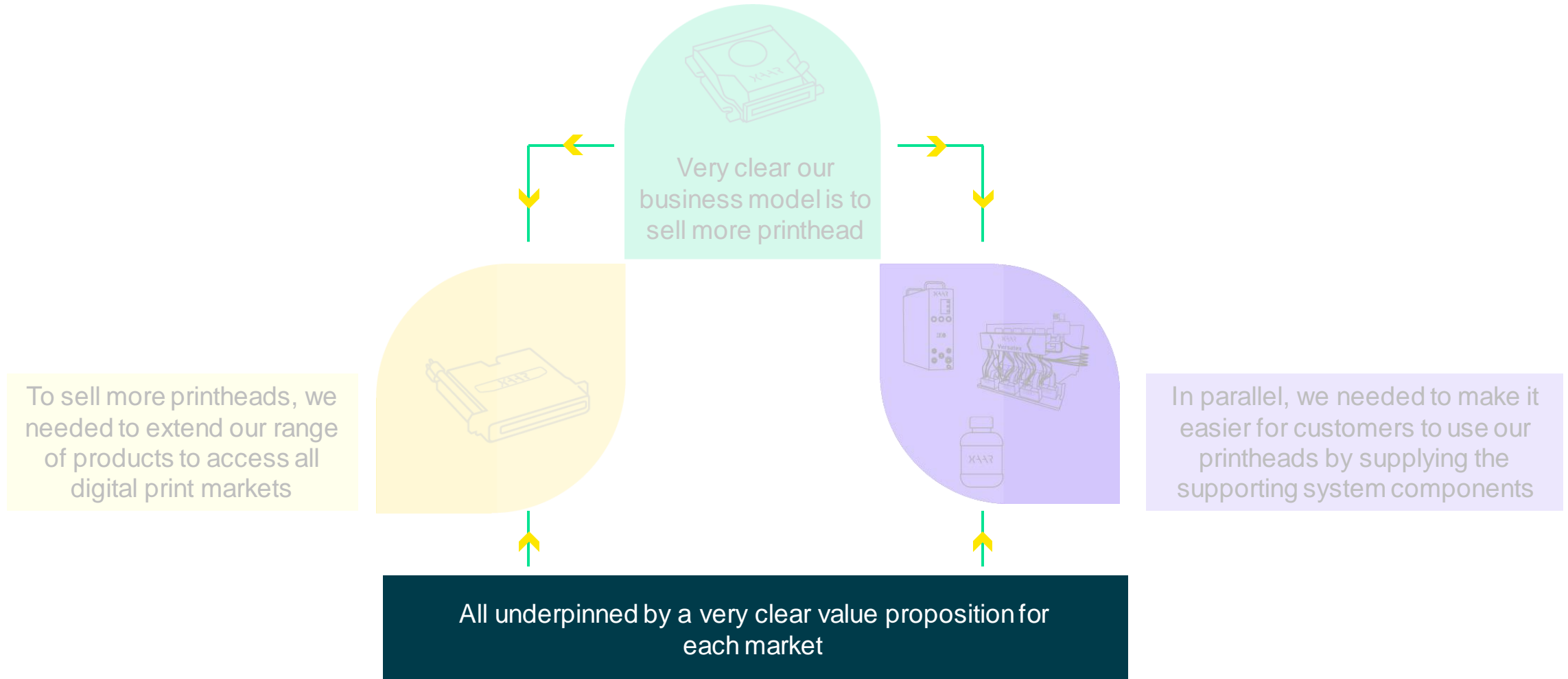
Print engines



Support



The business model is delivering increased customer engagement



Operational efficiency improvements

- ⚙️ Plan to increase manufacturing efficiency
- ⚙️ Circa £10m investment over the next 3 years
- ⚙️ First step (which will take place Jan/Feb 2023) is to reduce factory layout from 4 to 2 cleanrooms
- ⚙️ We plan to increase inventory over next few months to ensure continuity of supply through factory re-structure
- ⚙️ These changes will help mitigate inflationary pressure on factory
- ⚙️ Part of our ESG journey

Committed to ESG

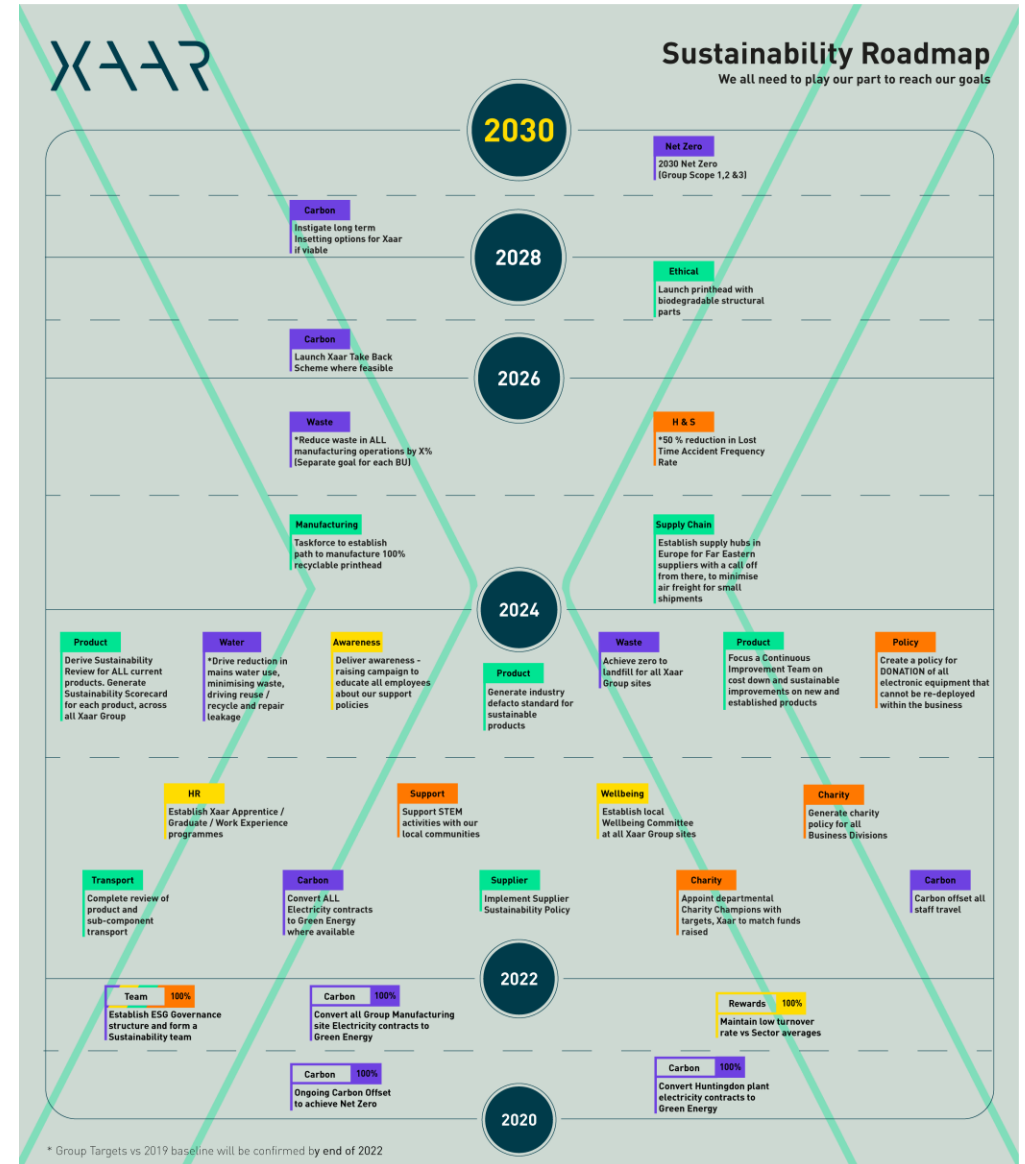
- ✔ Established ESG committee
- ✔ Committed to a sustainability roadmap
- ✔ Overall goal is to be net zero by 2030
- ✔ Clear focus on four pillars:

Environment
Leading the way in environment and sustainability

People
Aspiring to be employer of choice

Innovation
Encouraging more sustainable approaches to design

Community
Actively engaging with our communities



Looking forward we
continue to be
excited about the
future for Xaar

XAAAR

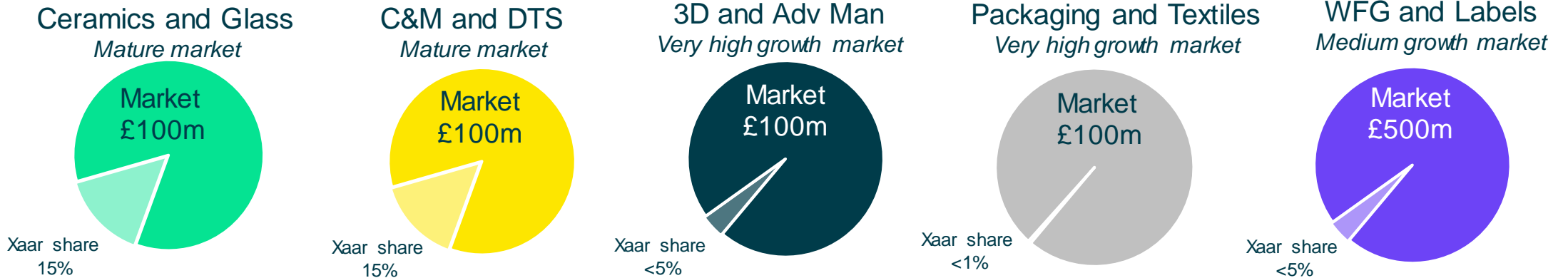


Significant market opportunity for printheads

- ✓ New business model, clear value proposition and new products have enabled us to grow market share in existing markets
- ✓ Our roadmap will unlock all digital print markets and deliver products with compelling technical advantages in each market
- ✓ Analogue to digital conversion will drive significant growth in Packaging & Textiles and 3D
- ✓ New product launching in 2024 will drive adoption for Xaar technology in WFG and Labels

Current market size for printheads

Growth opportunity



Xaar market share opportunity



Increased number of customers adopting Xaar technology



Increasing visibility of benefits of Xaar technology driving new leads

New aqueous product launch gives us confidence we will further grow the pipeline

Whilst it takes several years from adoption of Xaar technology to significant revenue, we are starting to see the pipeline grow

* Projected machine launches in 2022



Summary

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Strong performance, on track for full year profit



Strong H1 performance;
revenue up 39% with adjusted
profit of £1.4m



EPS turned around and
delivering strong growth



Aqueous product launch **on
track**



FFEI and Megnajet **fully
integrated** and
accelerating strategy



Accelerating **operational
efficiency plan** to improve
product margins



Expect to deliver a **full
year profit** in line with
expectations

“We have great technology, great people and a large market opportunity. We will be successful.”

John Mills

CEO

XAIR

Q&A

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