



2023 Full Year Results

Tuesday 26th March 2024

XAAR
Group

Key topics

- › Overview
- › Financial performance
- › Update on market sectors
- › Summary and outlook
- › Q&A



John Mills
CEO



Ian Tichias
CFO

Right strategy in place to deliver long term opportunity



Good FY23 in line with expectations with adjusted profit of £2.9m

Current market conditions continuing in FY24

Focused on **delivering our strategy**

Pipeline getting stronger but OEM delays impacted short term outlook

Key initiatives in place to minimise risk of further impact

Remain **confident and excited about long term opportunity**



**Financial performance in line
with market expectations**

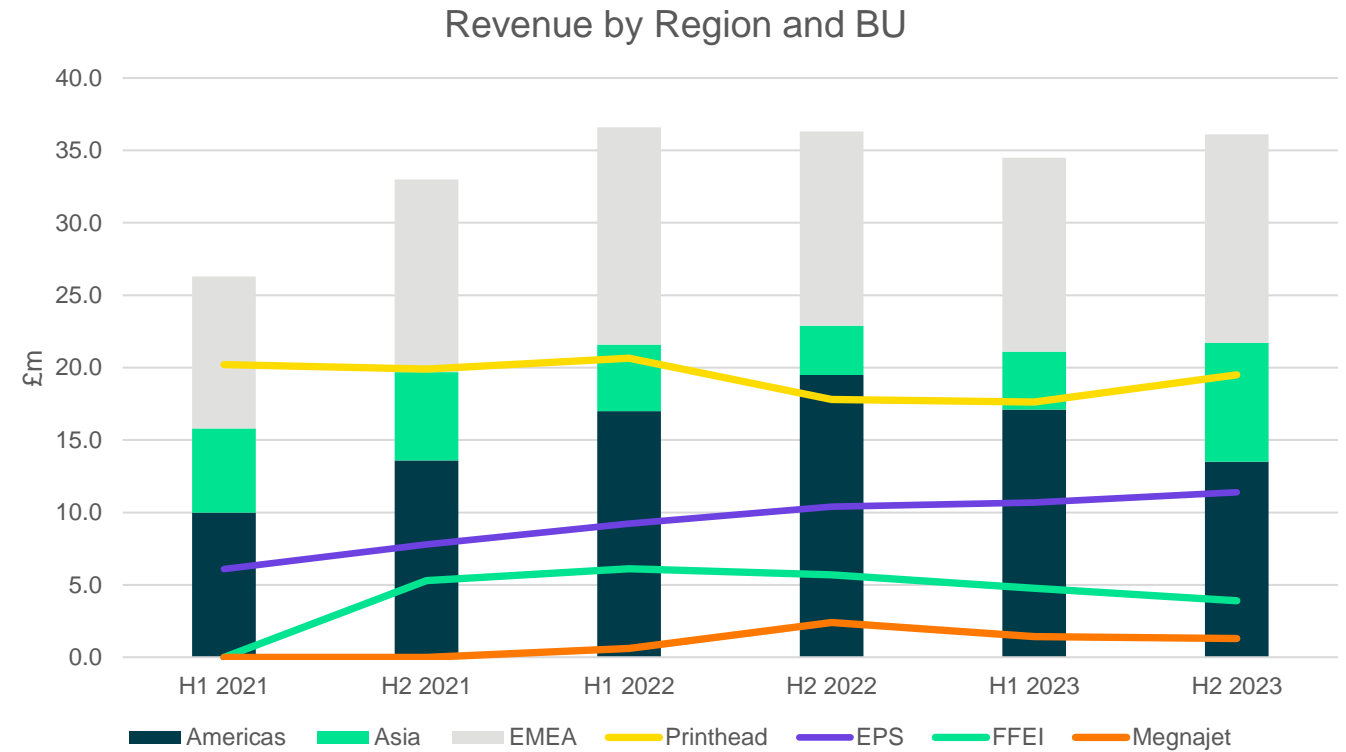
Good financial performance given the macro-economic environment

£M	2023	2022	Var	% Var
Revenue	70.6	72.8	(2.2)	-3%
Gross Margin	38%	39%		-2%
aOpex	(25.7)	(25.6)	(0.1)	+4%
aEBITDA	6.4	6.2	0.2	+3%
aPBT	2.9	2.8	0.1	+4%

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

£M	2023	2022	Var	% Var
Trade WC	33.5	30.1	3.4	+11%
Cash	7.1	8.5	(1.4)	-16%
Net Assets	71.8	71.8	-	+0%

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



Adjusted profit of £2.9m in line with our expectations

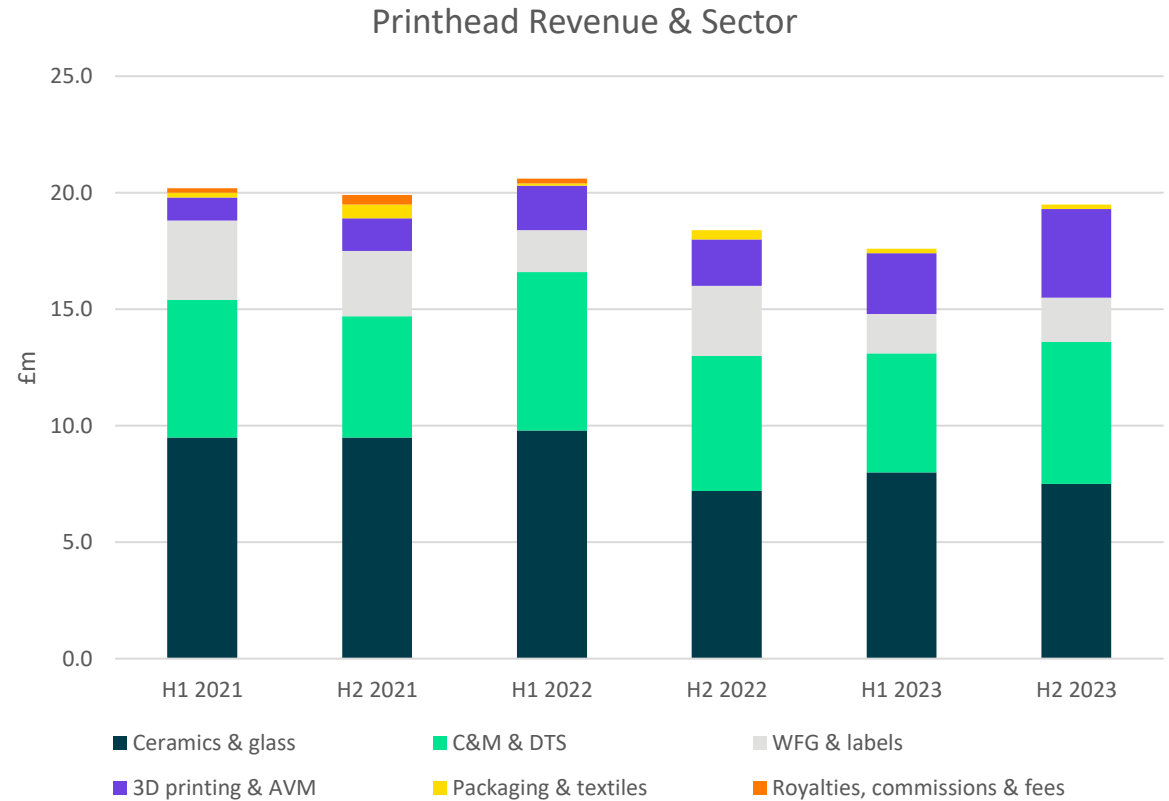
Successfully managed input cost increases and factory shutdown

Strong balance sheet and financial position

Printhead business builds stronger relationships

Printhead				
£M	2023	2022	Var	% Var
Revenue	37.1	39.0	(1.9)	-5%
Gross Margin	42%	43%		-2%
aOpex	(18.1)	(17.2)	(0.9)	+5%
aEBITDA	-	2.0	(2.0)	-100%
aPBT	(2.9)	(0.8)	(2.1)	+263%

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



Underlying revenue down due to challenging macro-economic environment

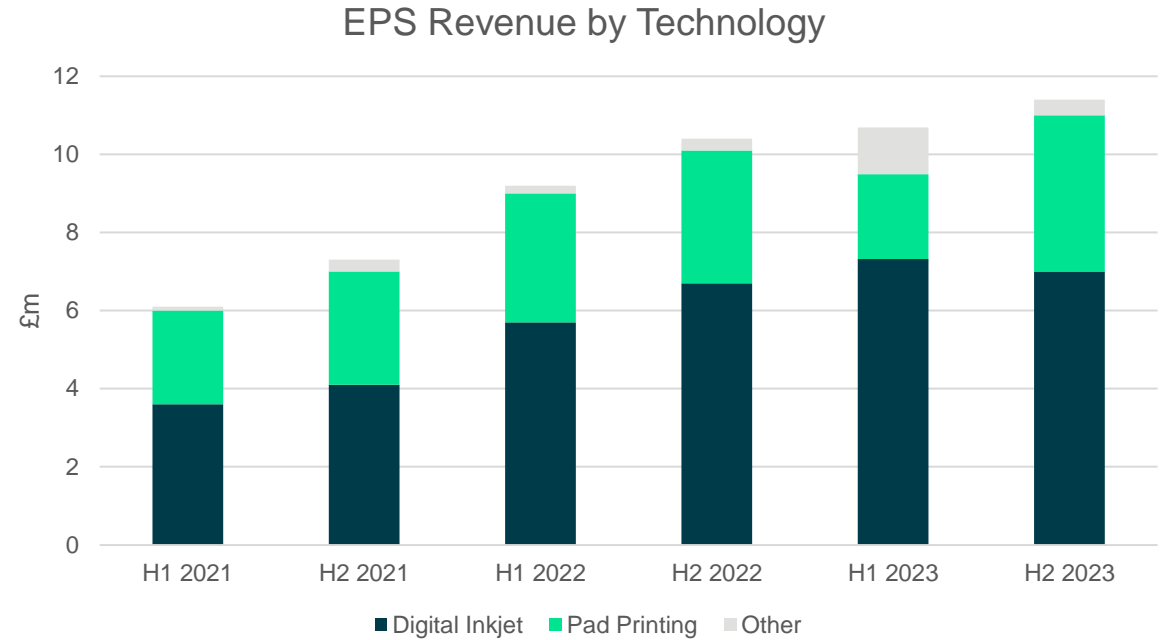
Customer base increased and market share retained

12 OEM launches in 2023 delivering revenue to offset underlying decline

EPS business unit continues to grow

EPS				
£M	2023	2022	Var	% Var
Revenue	22.1	19.6	2.5	+13%
Gross Margin	38%	40%		-5%
aOpex	(5.3)	(5.0)	(0.3)	+6%
aEBITDA	3.5	3.1	0.4	+13%
aPBT	3.2	2.8	0.4	+14%

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



Revenue up 13% vs 2022 driven by growth in digital machine sales

Gross Margin of 38% maintained

Revenue growth with a focus on the sporting goods and power tools sectors

FFEI and Megnajet good contributors to profit

FFEI				
£M	2023	2022	Var	% Var
Revenue	8.7	11.6	(2.9)	-25%
Gross Margin	25%	30%		-17%
aOpex	(2.3)	(3.2)	0.9	-28%
aEBITDA	2.2	0.5	1.7	+340%
aPBT	1.8	0.2	1.6	+800%

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

Good financial performance across both business units

Profit on sale of non-core IP assets

Megnajet				
£M	2023	2022	Var	% Var
Revenue	2.7	2.6	0.2	+4%
Gross Margin	29%	33%		-12%
aOpex	(0.1)	(0.2)	0.1	-50%
aEBITDA	0.7	0.6	0.1	+17%
aPBT	0.8	0.6	0.2	+33%

Figures (£m) and percentage (%) are subject to rounding. H1 2022 represents four months of trading.

Businesses delivering on strategy of more vertically integrated product offering

Megnajet customer base expanded with greater range of customers

1 Commercial strategic opportunities

2 Operational efficiency



3 Organisational effectiveness

4 Customer integration

Ongoing operational improvements to drive efficiencies

Operational improvements have enabled us to drive efficiencies and performance across the business to help mitigate input cost inflation

- Increases mitigated from 67% to 20% due to proactive measures

Business right-sized at the end of 2023 which positions us well for growth once economic conditions improve

Established Project Hubble to provide focus in 4 key areas with no incremental investment

Project aims to deliver annual cost savings of £2m, of which £1.2m already implemented

Healthy cash position for current operations

- Healthy Balance Sheet and net cash of £7.1m
- Net Cash outflow of £1.4m
- Inventory increased by £2.1m due to unexpected reduced demand in our core markets, particularly ceramics, largely offset by tight cash management and £2m sale of IP assets
- Disciplined cash management
- Positive cash generation driven in FY24 by reduction in inventory
- Revolving credit facility in place with bank further demonstrating the strength of business case



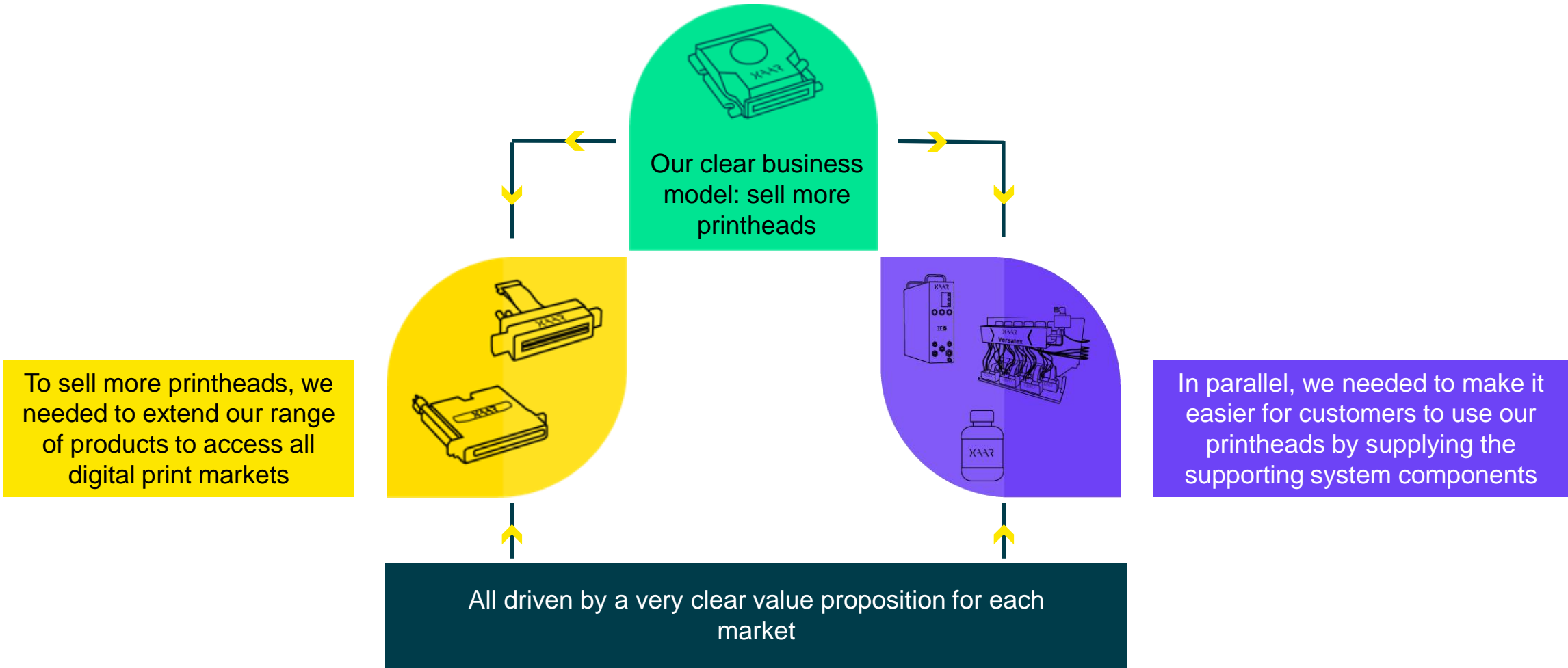


Our expectations remain unchanged

- A good FY23 in line with expectations, with adjusted profit of £2.9m
- A challenging Q4 continuing into FY24
- A clear cost management plan in place to navigate current market conditions
- Right strategy in place to deliver long term opportunity

Remain well positioned
for long-term

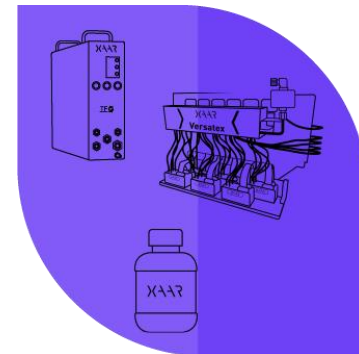
Clear business model and strategy



Delivering a compelling product in each of our market segments



Ceramics and Glass Mature market Market £80m Xaar 2002 Launched 2020	C&M and DTS Mature market Market £100m Xaar Irix Launched 2021	3D and Adv Man Very high growth market Market £200m Xaar Nitrox Launched 2021	Packaging and Textiles Very high growth market Market £100m Xaar Aquinox Launched 2022	WFG and Labels Medium growth market Market £500m In development Next Gen Launching 2025
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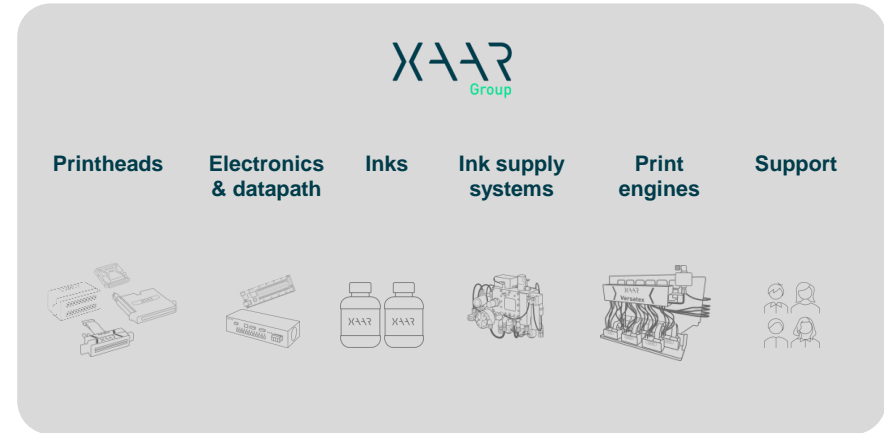
In parallel, we needed to make it easier for customers to use our printheads by supplying the supporting system components

All driven by a very clear value proposition for each market

Supporting our OEMs with system components



Ceramics and Glass Mature market Market £80m Xaar 2002 Launched 2020	C&M and DTS Mature market Market £100m Xaar Irix Launched 2021	3D and Adv Man Very high growth market Market £200m Xaar Nitrox Launched 2021	Packaging and Textiles Very high growth market Market £100m Xaar Aquinox Launched 2022	WFG and Labels Medium growth market Market £500m In development Next Gen Launching 2025
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All driven by a very clear value proposition for each market

Split by geography – customers developing with Xaar printheads



	Americas	EMEA	Asia
2023	10	30	29
2024	18	41	37
Increase	+80%	+36%	+27%

Focus has been to reduce dependence on any given region

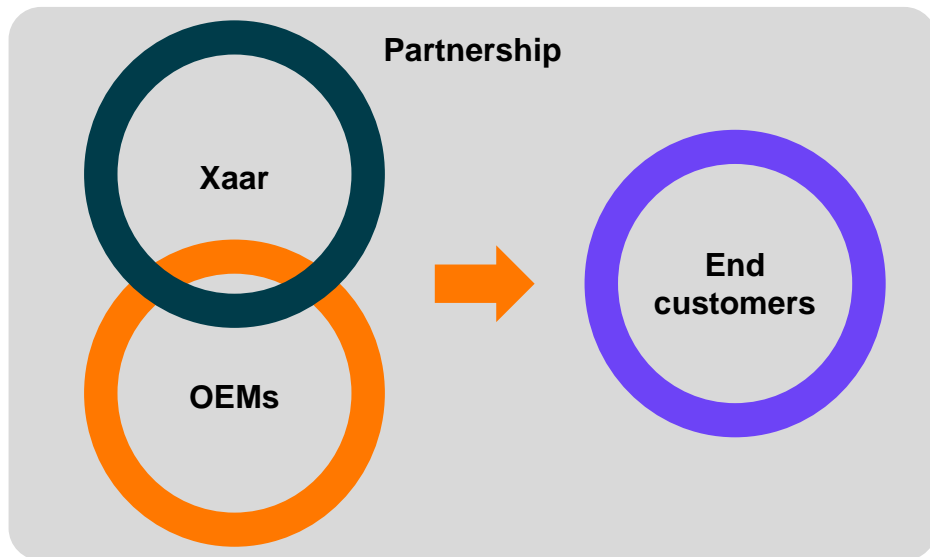
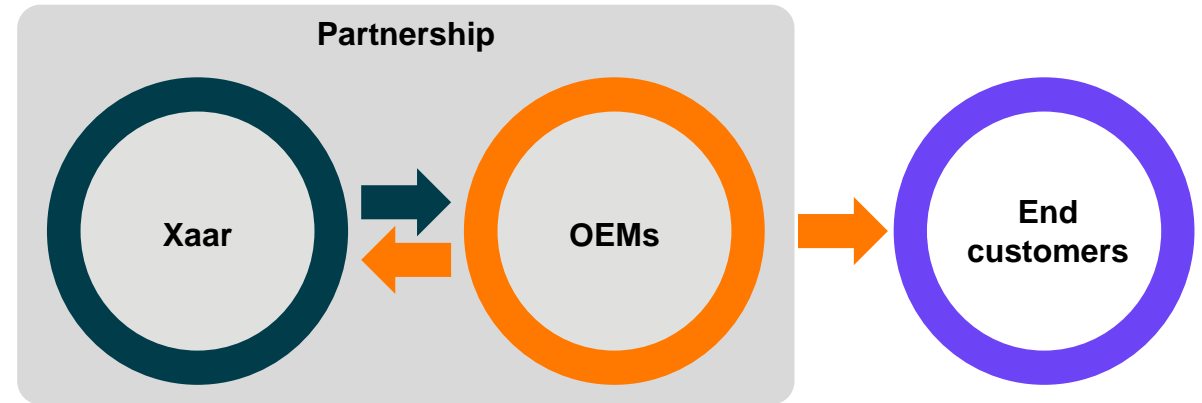
Significant increase in activity in USA gives more balance

Growing demand in Europe is encouraging

Geographical market diversification builds resilience

Develop relationships with our end customers

- Over recent years we have worked hard to rebuild relationships with OEMs
- We now have strong partnerships with key OEMs across all our target markets

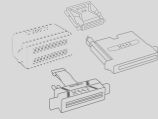


- We are now seeing the benefit of engaging the end user in partnership with the OEMs
- Clear understanding of requirements and adoption timing

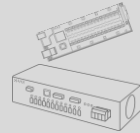
Invest in systems to fully test solution ahead of customers



Printheads



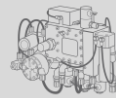
Electronics & datapath



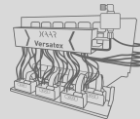
Inks



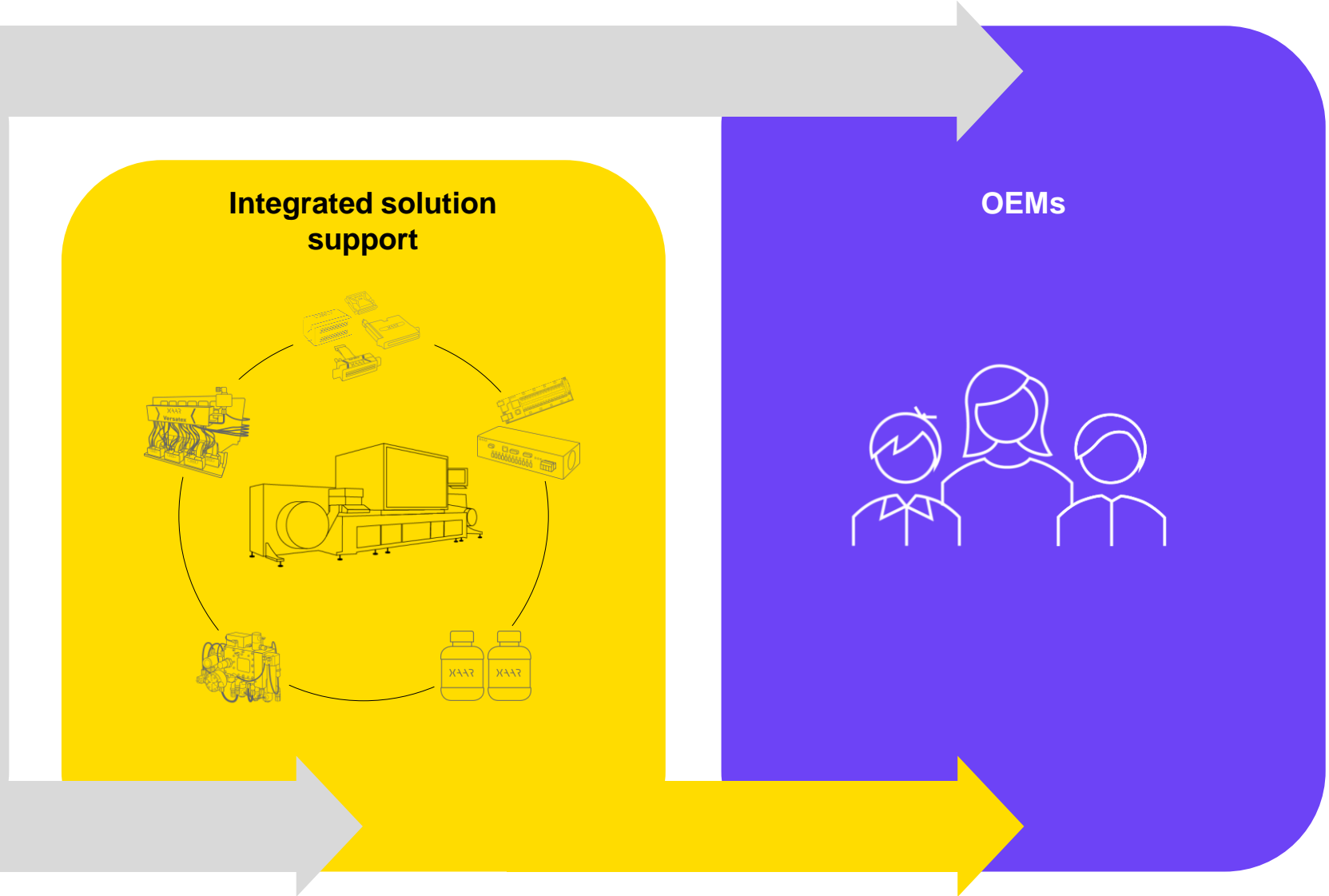
Ink supply systems



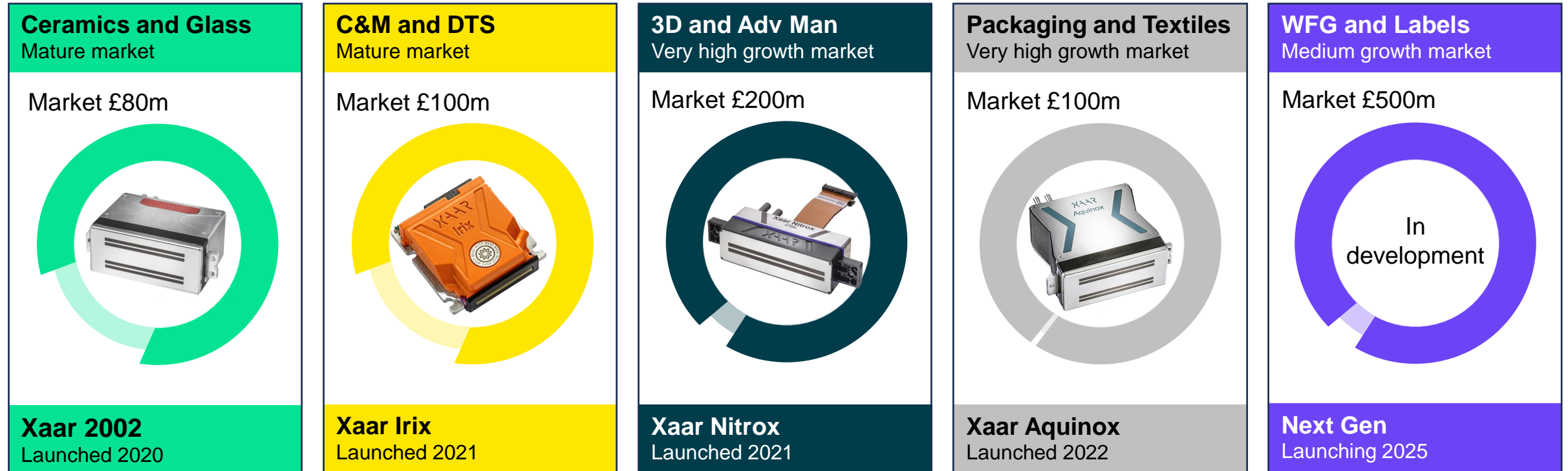
Print engines



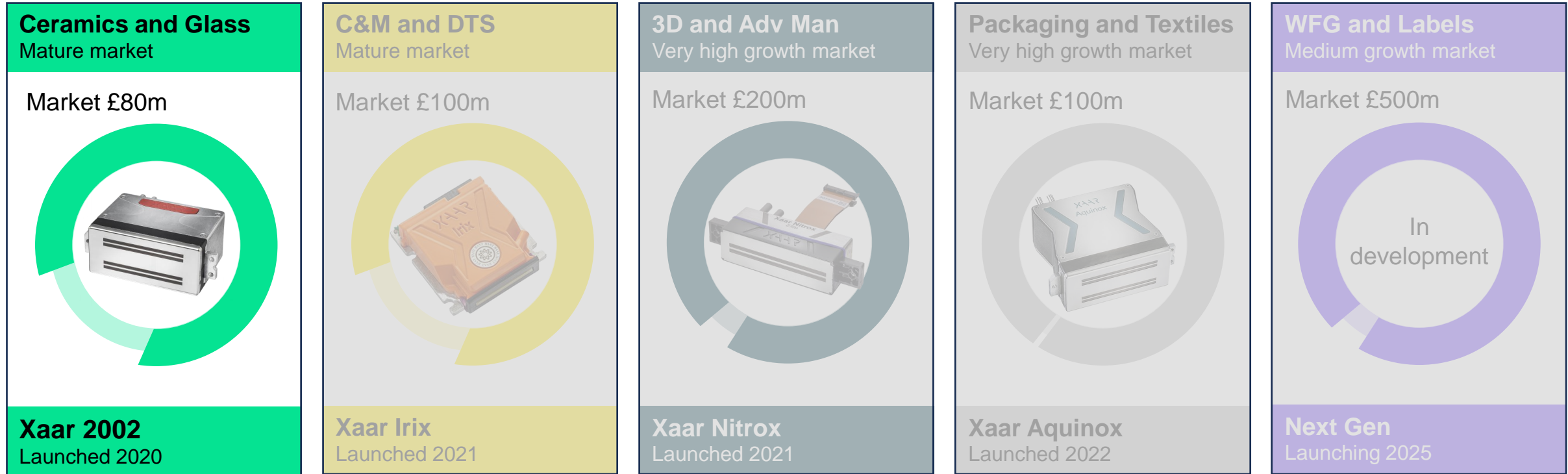
Support



Product roadmap will deliver total addressable market of £1bn

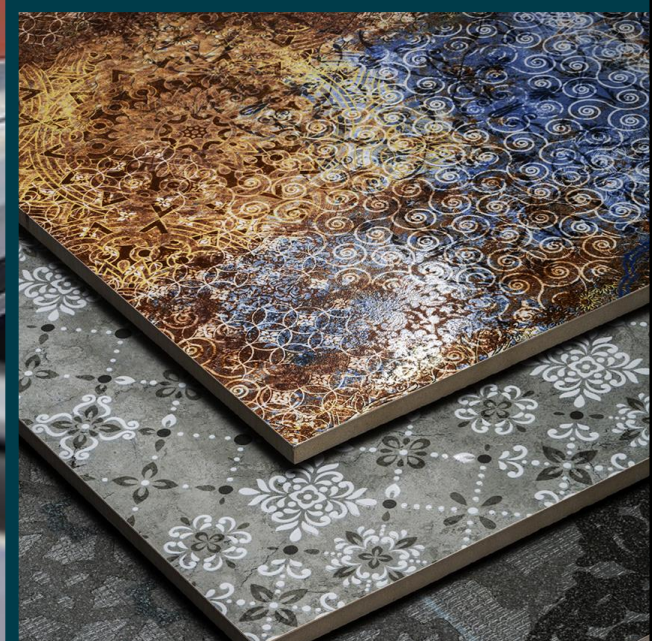


Product roadmap will deliver total addressable market of £1bn

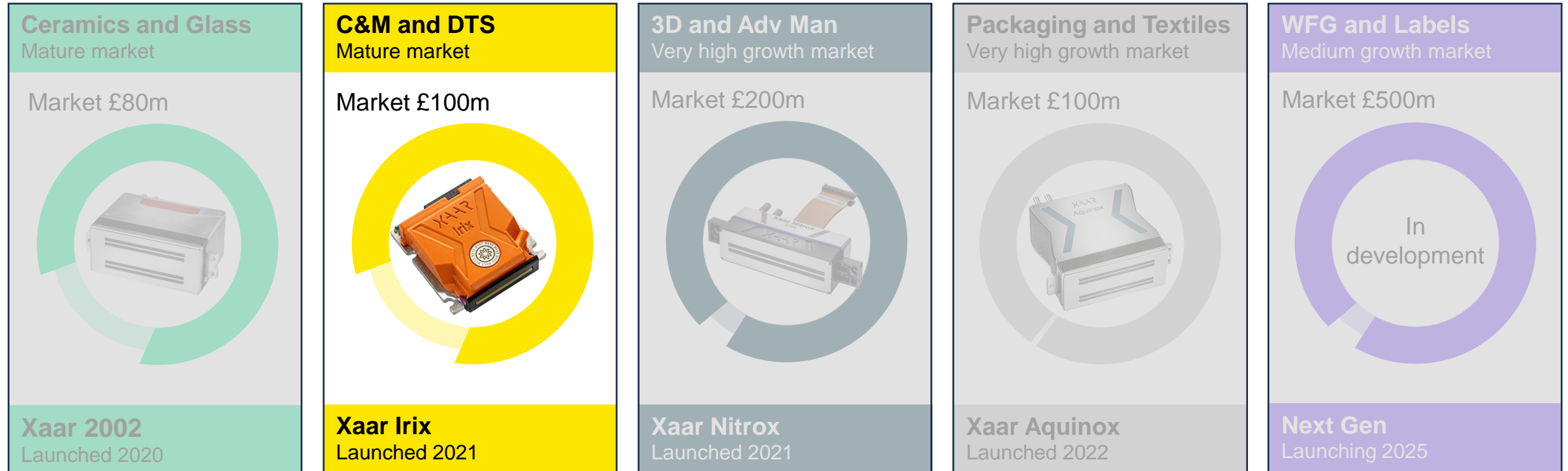


Ceramics and Glass

- Beta installation scheduled in May after 6 months' delay
- Potential System product launch in H2 2024
- NKT gaining market share in Ceramics due to 720 dpi resolution



Product roadmap will deliver total addressable market of £1bn



Coding & marking and Direct-to-shape

- Two new product launches in 2023
- KBA Kammann have talked openly how high viscosity inks in Xaar printheads have revolutionised their business
- Technical breakthrough in ultra-high speed printing of 1D and 2D barcodes

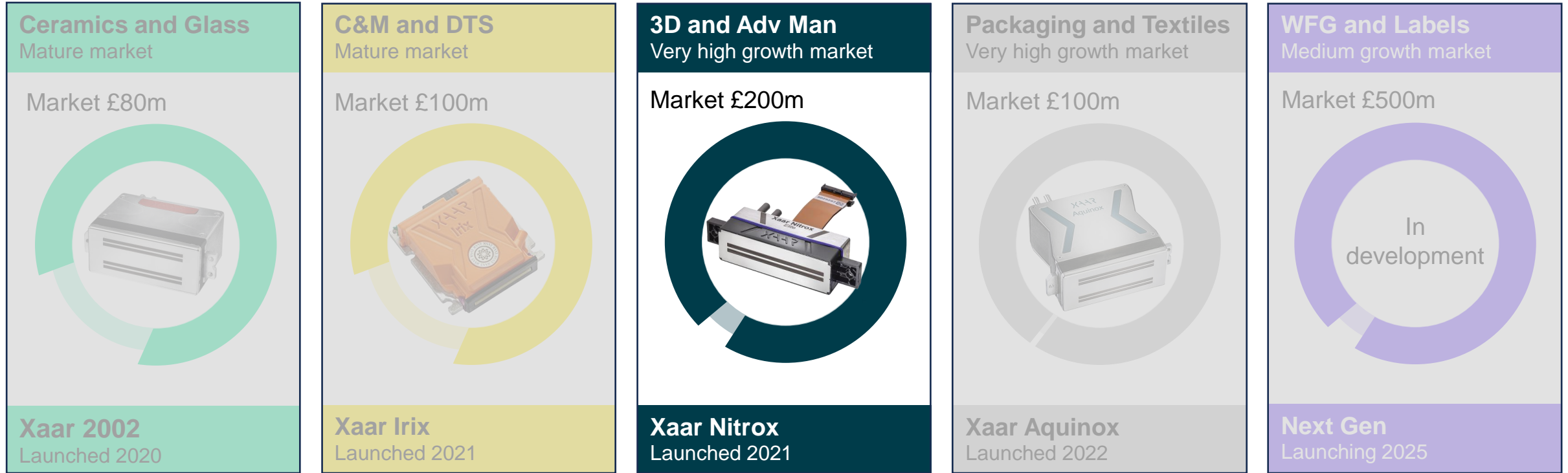


This collaboration is not just about advancing technology; it's about reshaping the future of digital printing. Xaar's Ultra High Viscosity Technology and printheads have enabled Marabu to develop inks that provide a real leap in innovation and sustainability, opening new possibilities for our decorative printing machines.

Matthias Graf, Managing Director, Kammann

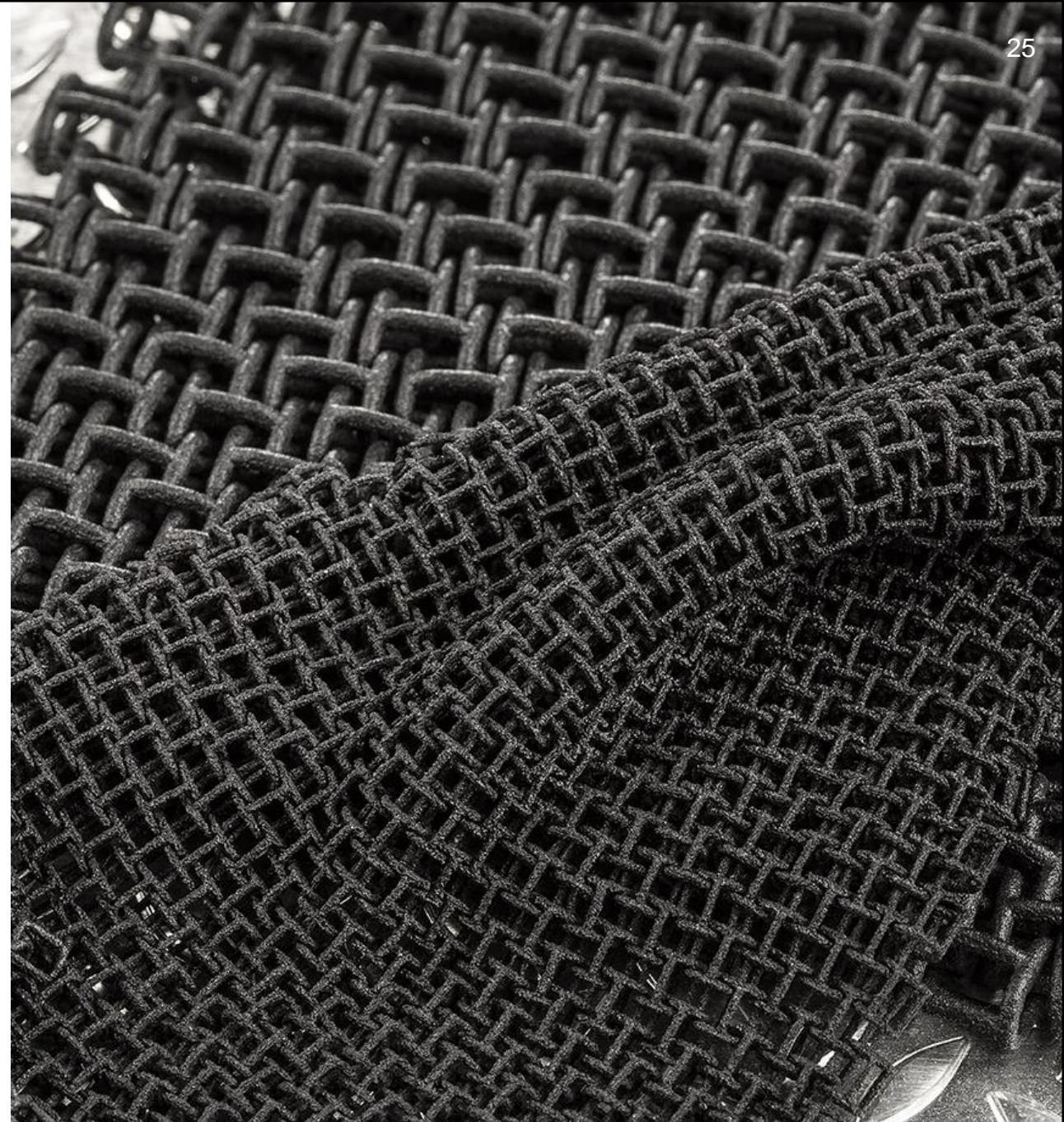
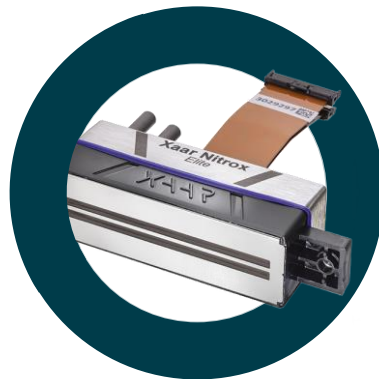


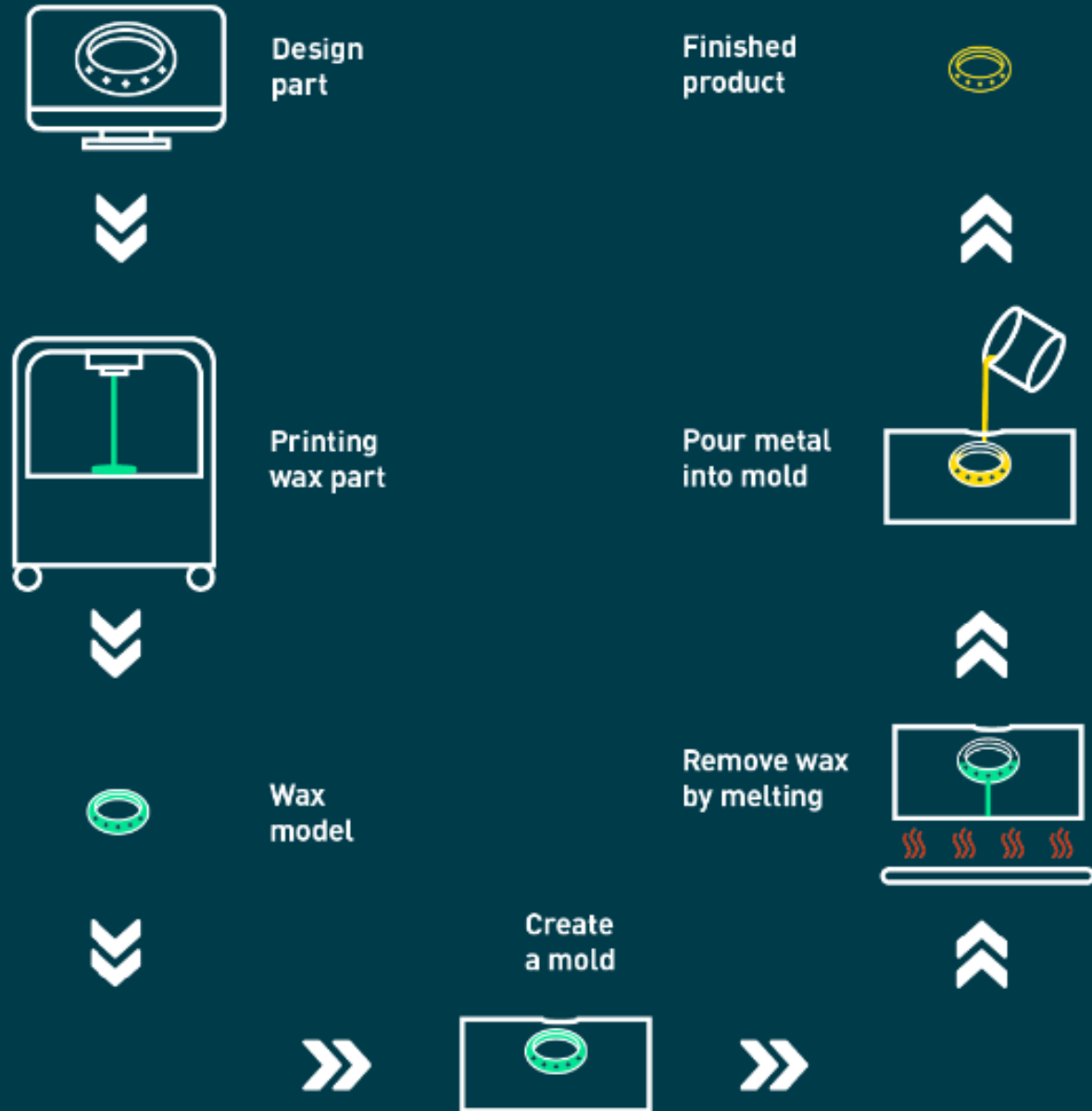
Product roadmap will deliver total addressable market of £1bn



3D and Advanced manufacturing

- 3D consumer product launch delayed to Q3 2024 due to customer feedback on beta design (9 month delay)
- On going adoption in photopolymer jetting by market leaders despite delays in development
- Still on track despite OEM delays





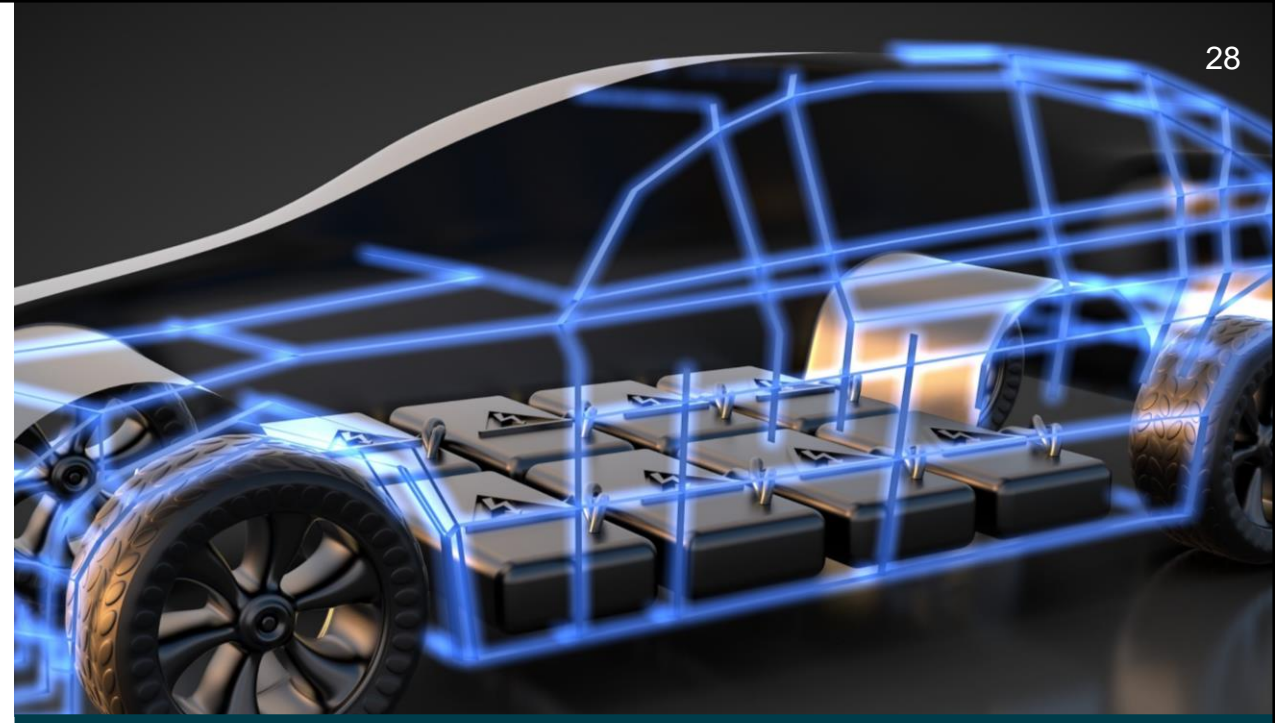
3D – Wax printing

- Major market is manufacture of jewellery
- First product launch expected April 2024
- Higher volume products in Q4 this year

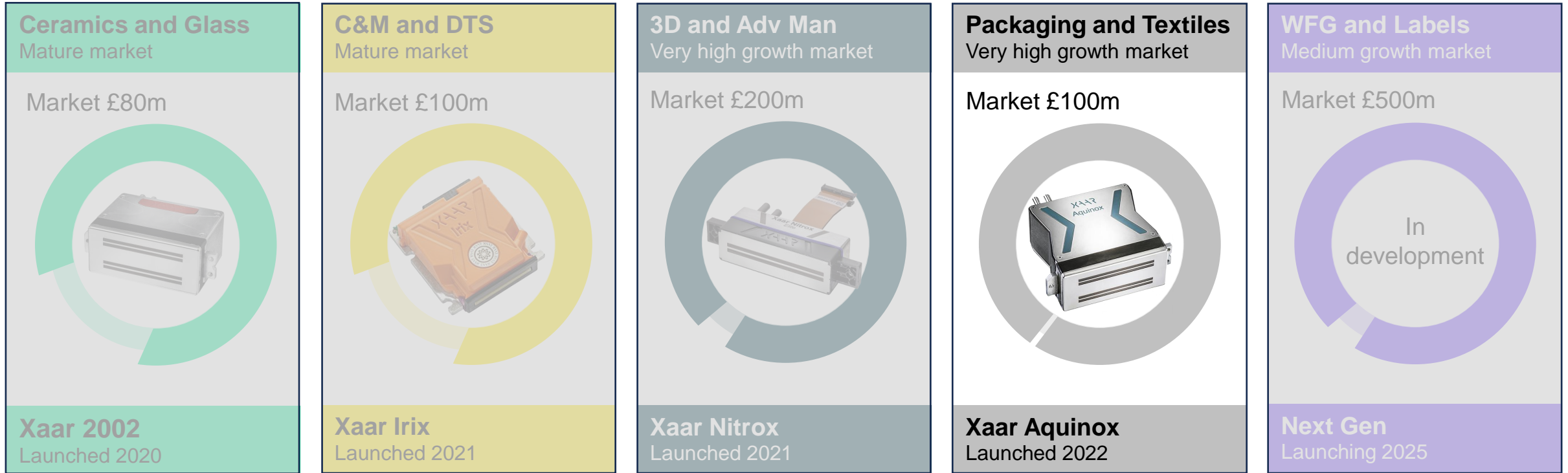


Advanced manufacturing

- Existing PET film does not meet requirement for new battery technology due to safety concerns
- Inkjet coating solution has now passed all tests and has been approved for volume manufacturing
- Xaar is the printhead of choice due to our high viscosity capability
- First production machines have been ordered by 3 of the top 6 battery manufacturers for installation this year
- Significant opportunity for Xaar if industry adopts as standard

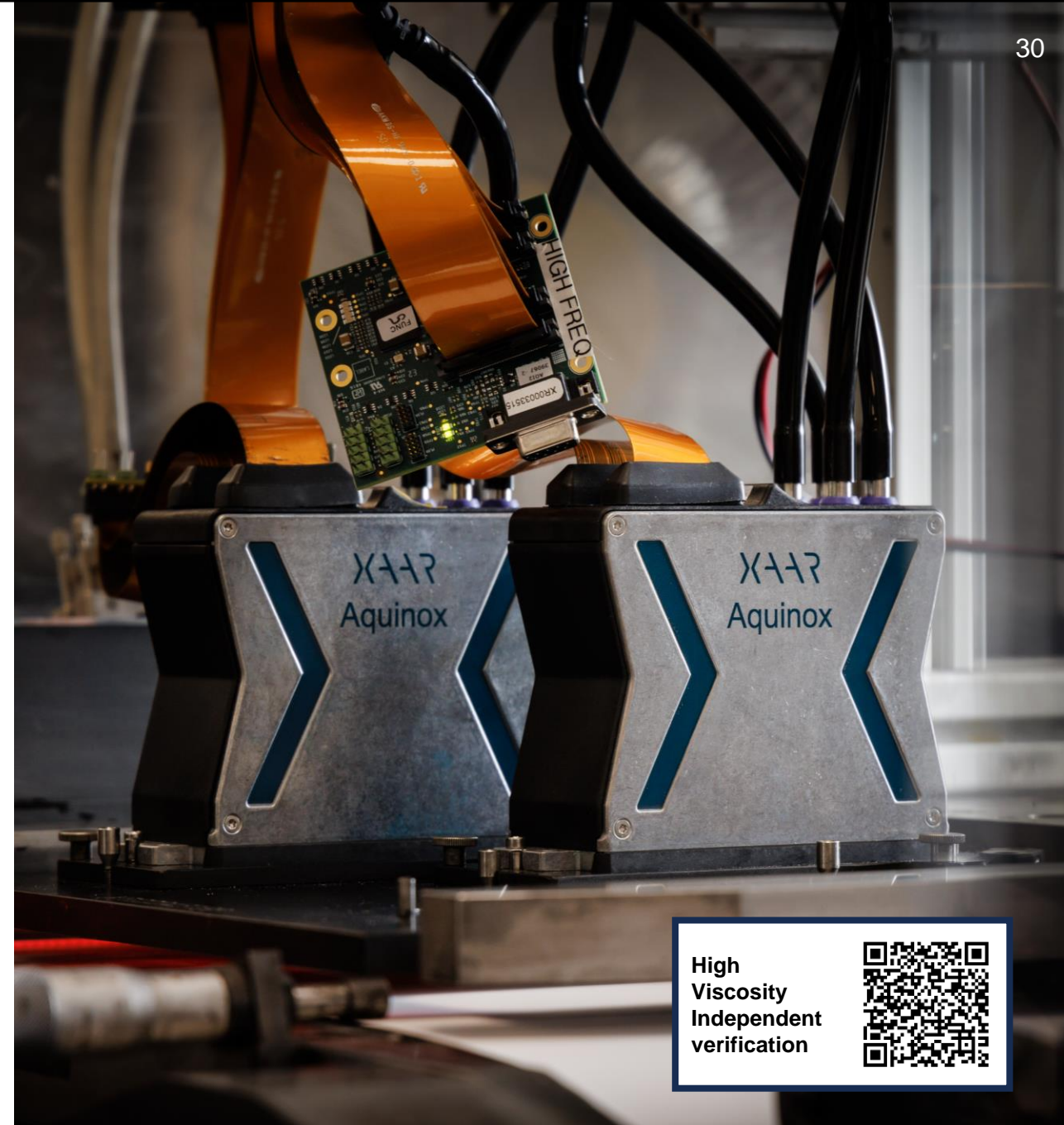
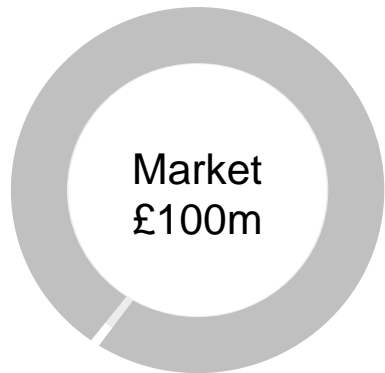


Product roadmap will deliver total addressable market of £1bn

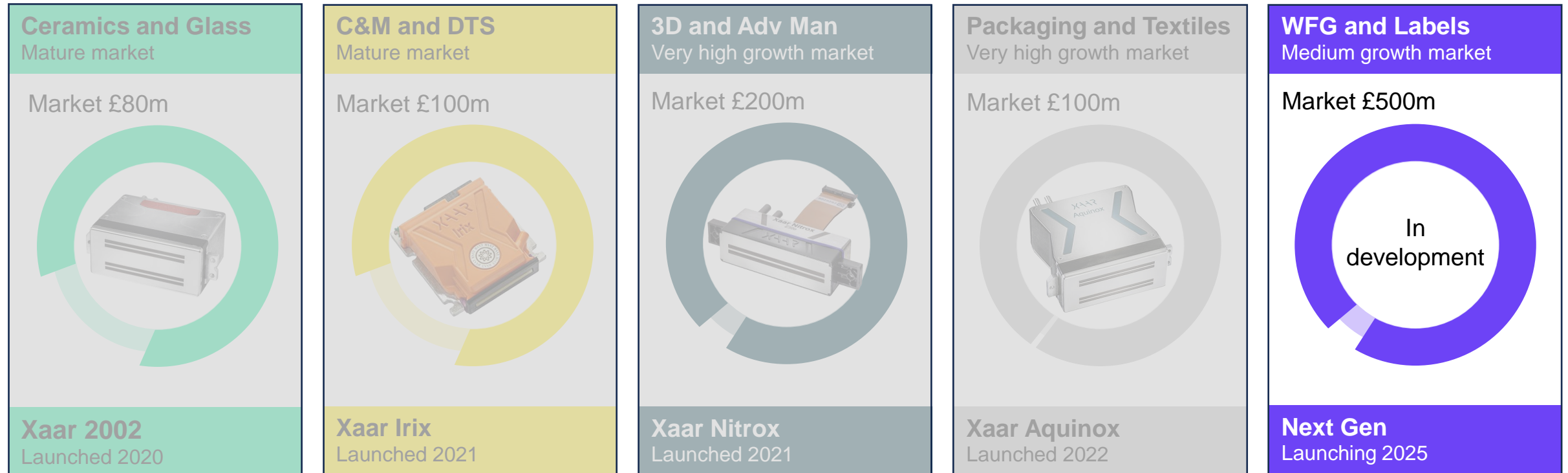


Packaging and Textiles

- Positive response to Aquinox with good adoption by major OEMs
- High viscosity ink sets for corrugated and textiles now in final testing
- Independent verification of the substantial benefits of high viscosity water-based inks

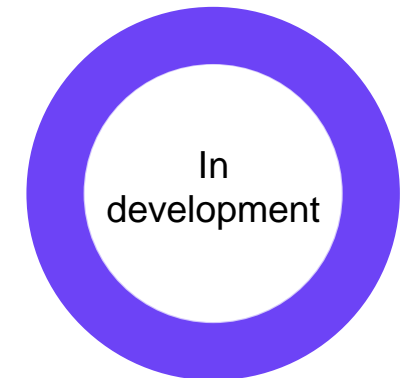


Product roadmap will deliver total addressable market of £1bn



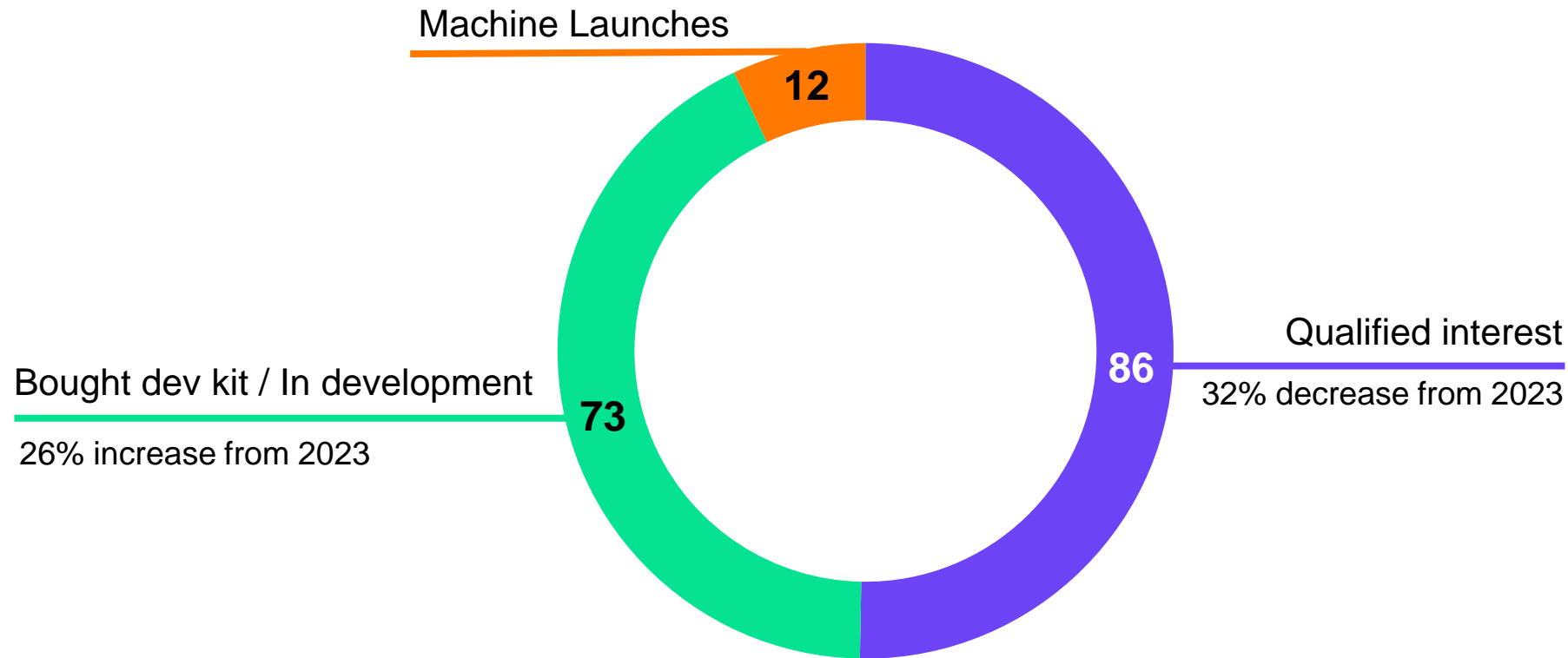
Wide format graphics and Labels

- Biggest single industrial print market
- Invested £4m in developing a new custom ASICC, enabling higher resolution and higher speeds
- First units delivered on time at end of Q4 2023
- Initial tests have proven successful
- We have pushed back the development of Graphics printhead into 2025 to focus on supporting our OEMs to deliver new products already in the pipeline in 2024



ImagineX

Customer pipeline (Jan 2024)




12 machine launches

Pipeline strengthening with projects in development up by 26%

Qualified interest down 32% due to being more stringent with pipeline qualification

Launches into different markets

1
Ceramics and Glass



2
C&M and DTS



6
3D and Adv Man



1
Packaging and Textiles



2
Labels and WFG



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Q&A

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