

A person wearing white gloves is working on a circuit board in a factory setting. The person is holding a component on the board. The background is a blurred industrial environment with various equipment and lights.

Xaar 2023 Interim Results

Tuesday 19th September 2023

XAAR
Group

Key topics


- › Overview
- › Financial performance
- › ESG
- › Significant strategic progress
- › Focus on 3D market
- › Summary and outlook
- › Q&A



John Mills
CEO



Ian Tichias
CFO



Results put us in a strong position for the future

Good performance with **adjusted profit increasing 29%**

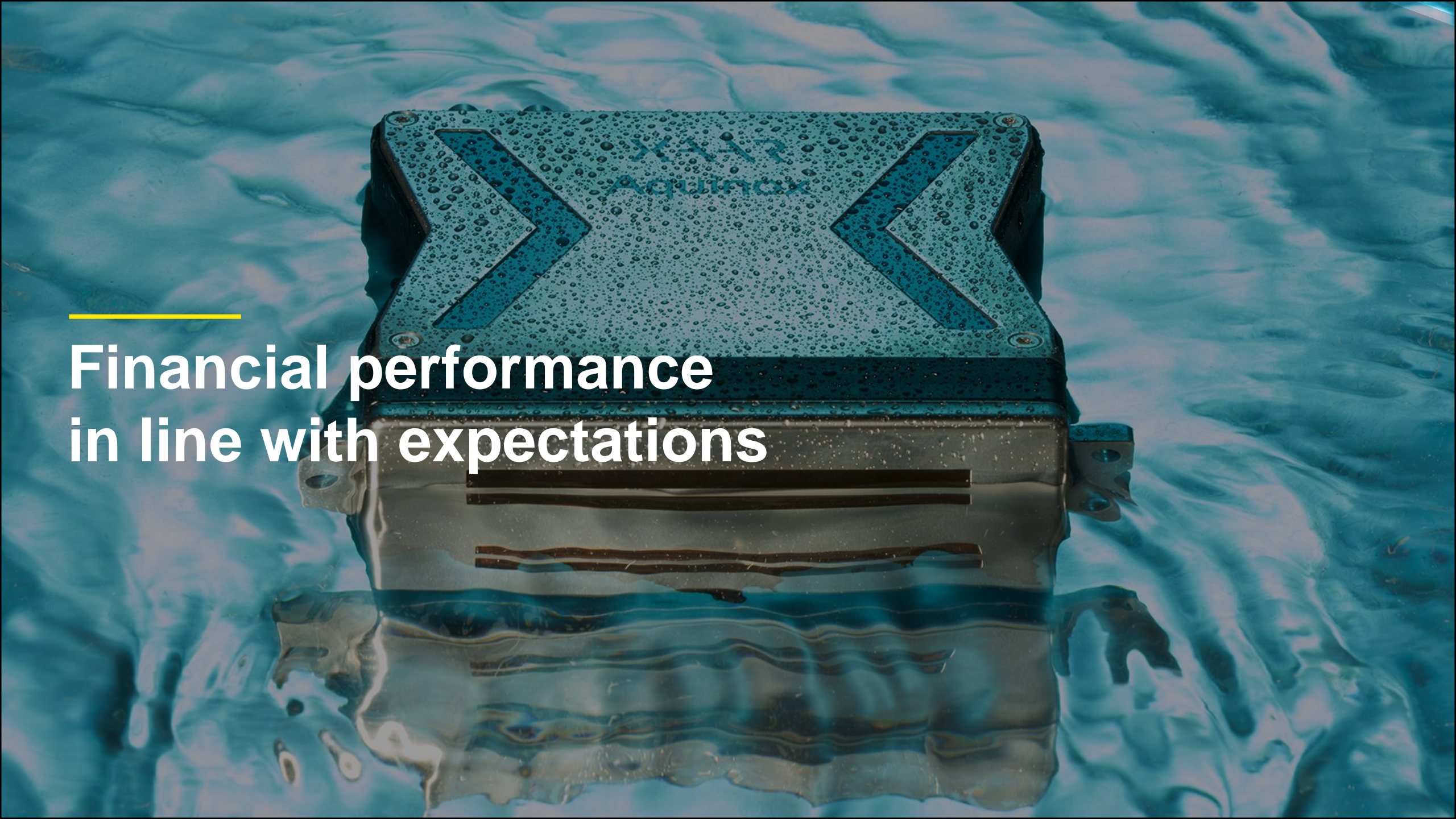
Launched Aquinox with **very positive customer response**

Operational improvements in Printhead

Increasing number of **OEM's adopting Xaar technology**

EPS, Megnajet and FFEI **delivered profit contribution**

Confident **in delivery on full year expectations**



**Financial performance
in line with expectations**

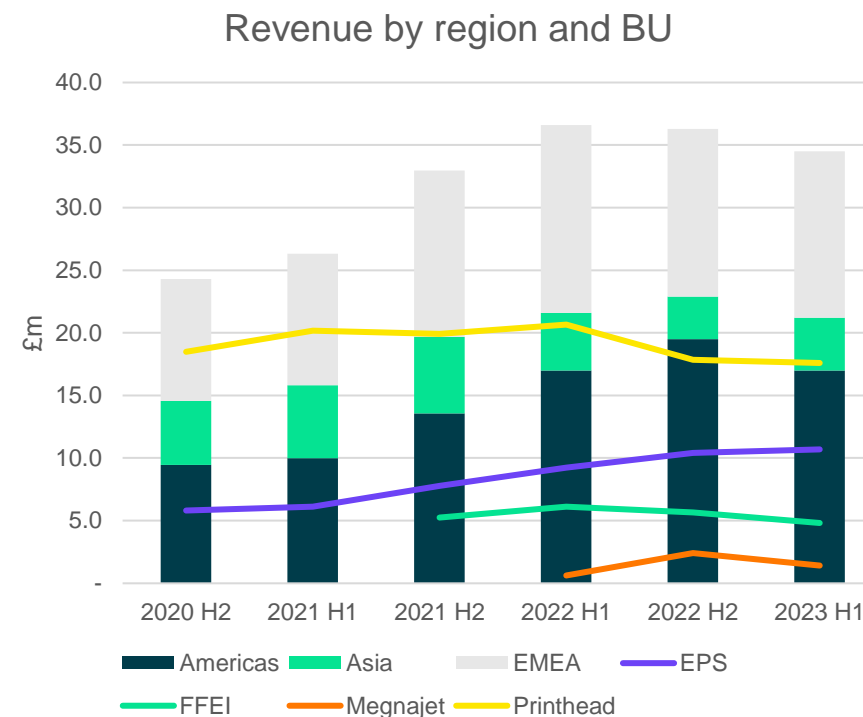
Group financial performance in line with expectations

£M	H1 2023	H1 2022	Var	% Var
Revenue	34.5	36.6	(2.1)	-6%
Gross Margin	40%	40%		
Total Opex	(14.0)	(12.9)	(1.1)	+9%
aEBITDA	3.5	3.0	0.5	+17%
aPBT	1.8	1.4	0.4	+31%

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

£M	H1 2023	H1 2022	Var	% Var
Trade WC	30.2	26.5	3.7	+14%
Cash	7.3	12.7	(5.4)	-43%
Net Assets	71.3	69.5	1.8	+3%

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



Gross Margin maintained despite factory shut down

Working capital increase due to proactive investment

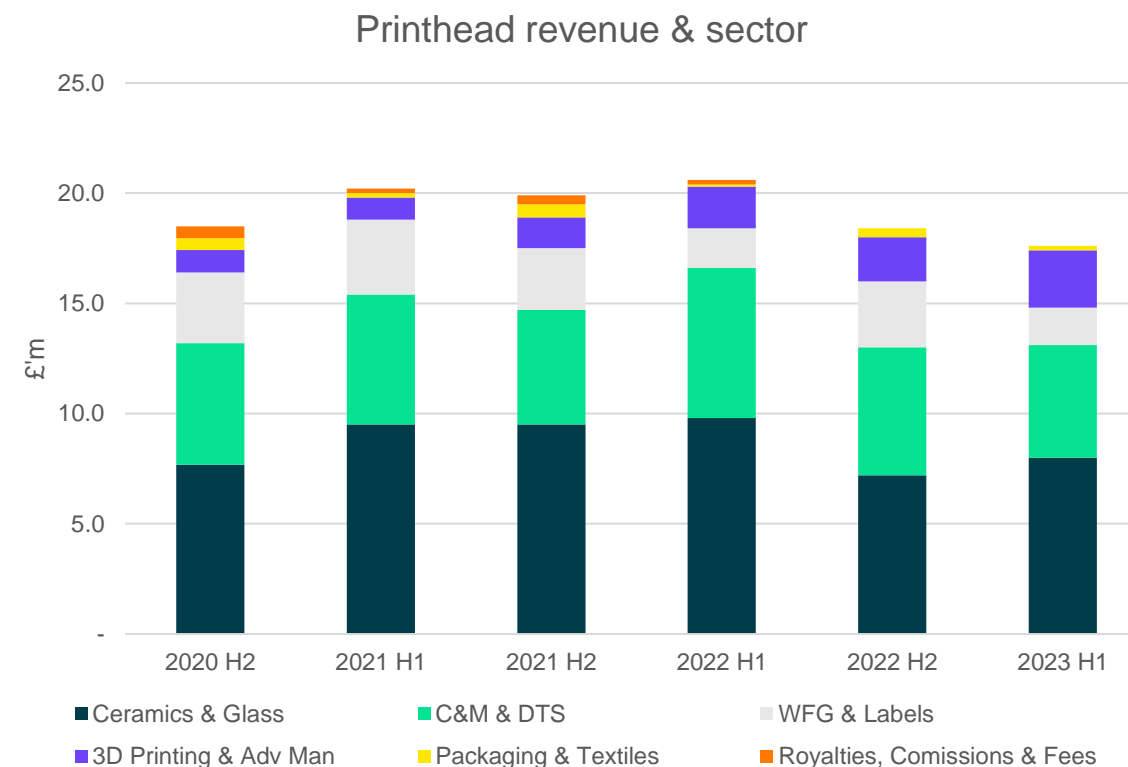
Robust balance sheet

In line with expectations despite challenging macro environment

Printhead business unit makes progress

Printhead				
£M	H1 2023	H1 2022	Var	% Var
Revenue	17.6	20.7	(3.1)	-15%
Gross Margin	44%	40%		+4 pts
Total Opex	(10.0)	(8.8)	(1.2)	+14%
aEBITDA	(0.9)	0.9	(1.8)	-198%
aPBT	(2.2)	(0.4)	(1.8)	

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



Revenue decrease due to strong Q1 2022 before China COVID-19 restrictions implemented

Increase in gross margin despite factory shut down

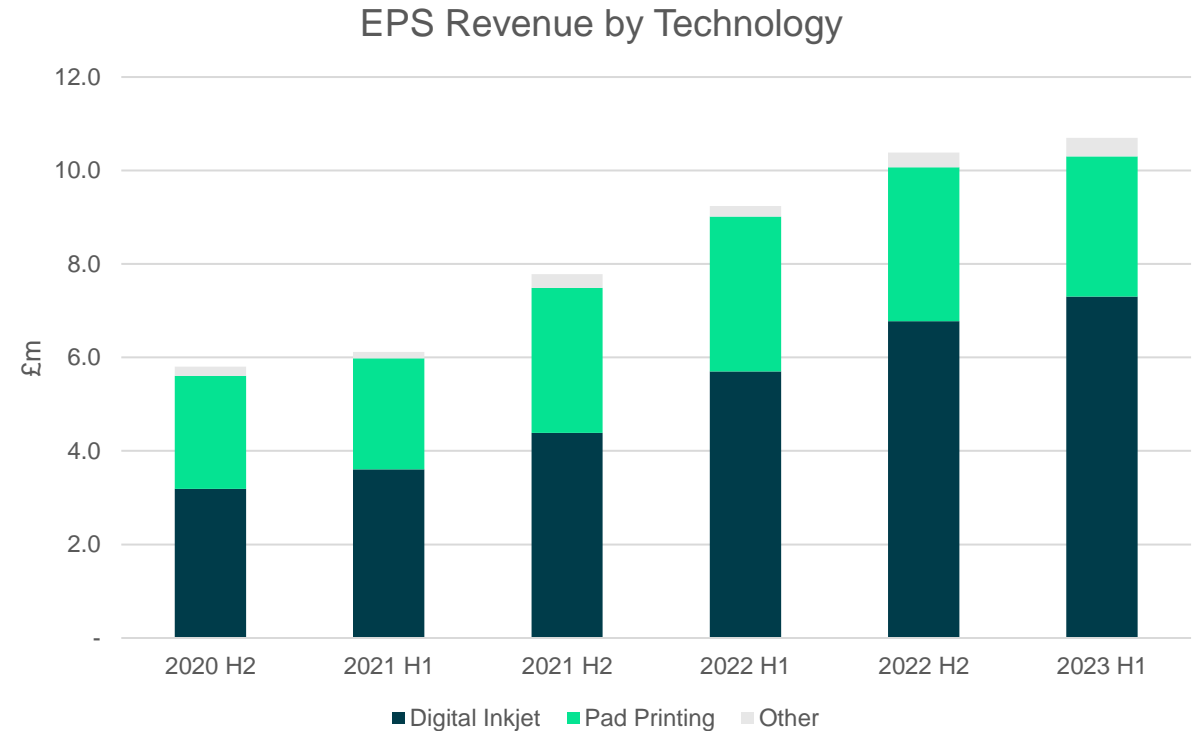
Mitigation to offset cost increases

Higher OPEX due to planned investment in key infrastructure

EPS business unit transformed and showing strong revenue growth

EPS				
£M	H1 2023	H1 2022	Var	% Var
Revenue	10.7	9.2	1.5	+16%
Gross Margin	40%	39%		+1 ppt
Total Opex	(2.7)	(2.5)	(0.2)	+10%
aEBITDA	1.7	1.3	0.4	+37%
aPBT	1.5	1.1	0.4	+44%

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



Revenue up 16% vs 2022 driven by growth in digital machine sales

Gross Margin up 1ppt vs 2022

Significant improvement in aEBITDA and aPBT

FFEI and Megnajet performing in line with expectations

FFEI				
£M	H1 2023	H1 2022	Var	% Var
Revenue	4.8	6.1	1.3	-22%
Gross Margin	28%	33%		-5 pts
Total Opex	(1.2)	(1.6)	0.4	-24%
aEBITDA	2.3	0.5	1.8	+358%
aPBT	2.1	0.4	1.7	+470%

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

Strong financial performance across both business units

aEBITDA positive and aPBT positive

Megnajet				
£M	H1 2023	H1 2022	Var	% Var
Revenue	1.4	0.6	0.8	+132%
Gross Margin	30%	55%		-25 pts
Total Opex	(0.0)	(0.0)		
aEBITDA	0.4	0.3	0.1	+22%
aPBT	0.4	0.3	0.1	+28%

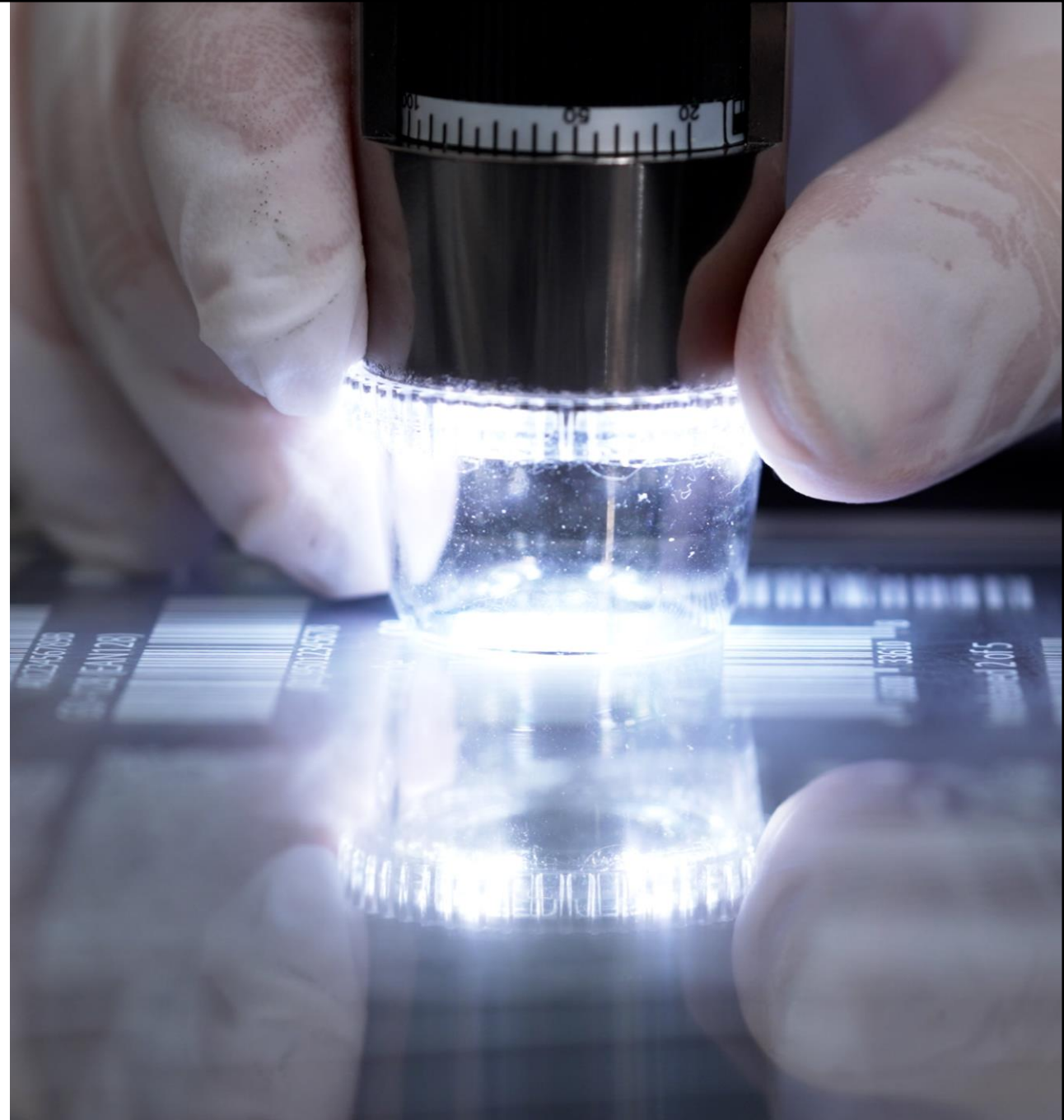
Figures (£m) and percentage (%) are subject to rounding. H1 2022 represents four months of trading.

Business unit supporting strategy of more vertically integrated product offering

Strong demand for our print engines and ink supply systems which deliver wider product offering

Strong cash position for further investment

- Strong Balance Sheet and cash position
- Net Cash outflow of £1.2m
- £1.7 million invested in Printhead finished goods inventory. Planned approach to give assurance that we can deliver on customer demand
- Revolving credit facility in place with bank further demonstrating the strength of business case
- Disciplined cash management
- Enables further investment in the business focusing on improving operational capability





Operational improvements driving efficiencies and performance

First phase – Huntingdon factory re-organisation – completed early 2023, on time and under budget:

- Enables more efficient operations, with increased capacity and yields
- Generates significant cost savings, especially from reduced energy consumption, delivering payback in less than a year

Further planned investment of £10m - £15m over the next two to three years starting early 2025, dependent on demand

Will deliver modern, efficient and more environmentally beneficial manufacturing facilities across the business.

Financial summary and highlights

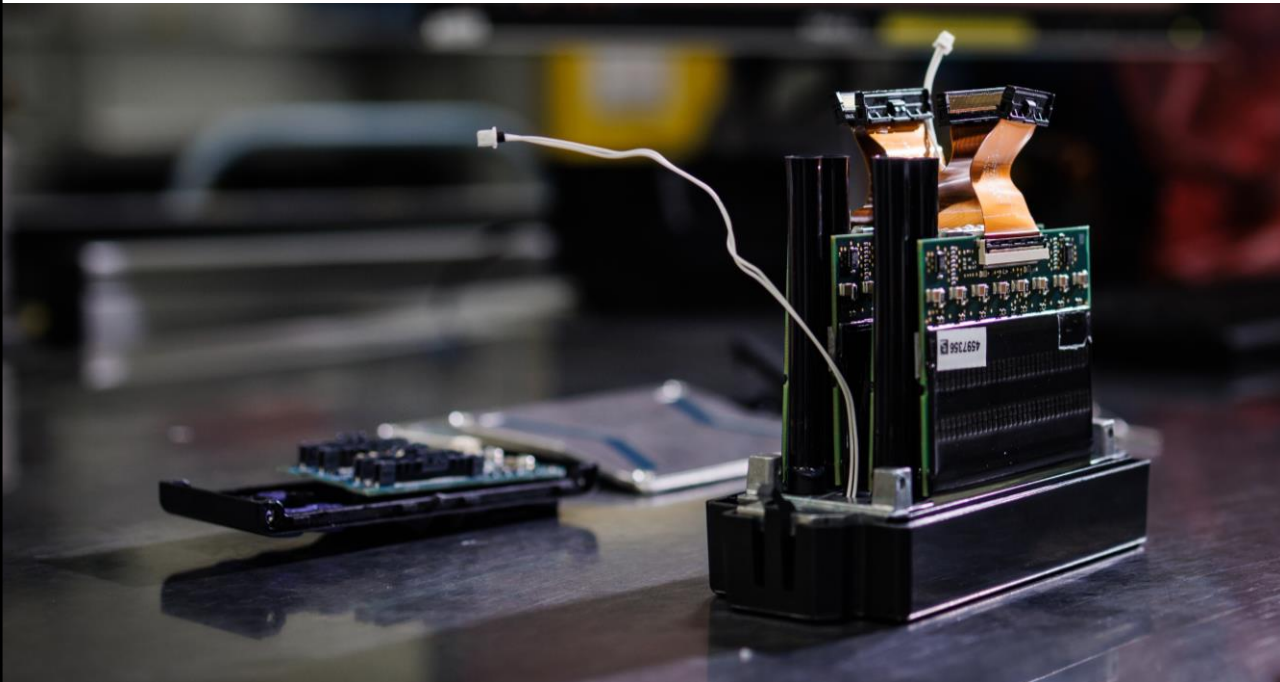
- Achieved growth in adjusted profit
- Remaining well positioned for the future
- Confident in delivery on full year expectations

Strong **profit growth of 29%**

Maintained gross margin at 40% despite factory shutdown and inflationary pressures

Maintained robust cash position through positive cash generation across the business

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





ESG

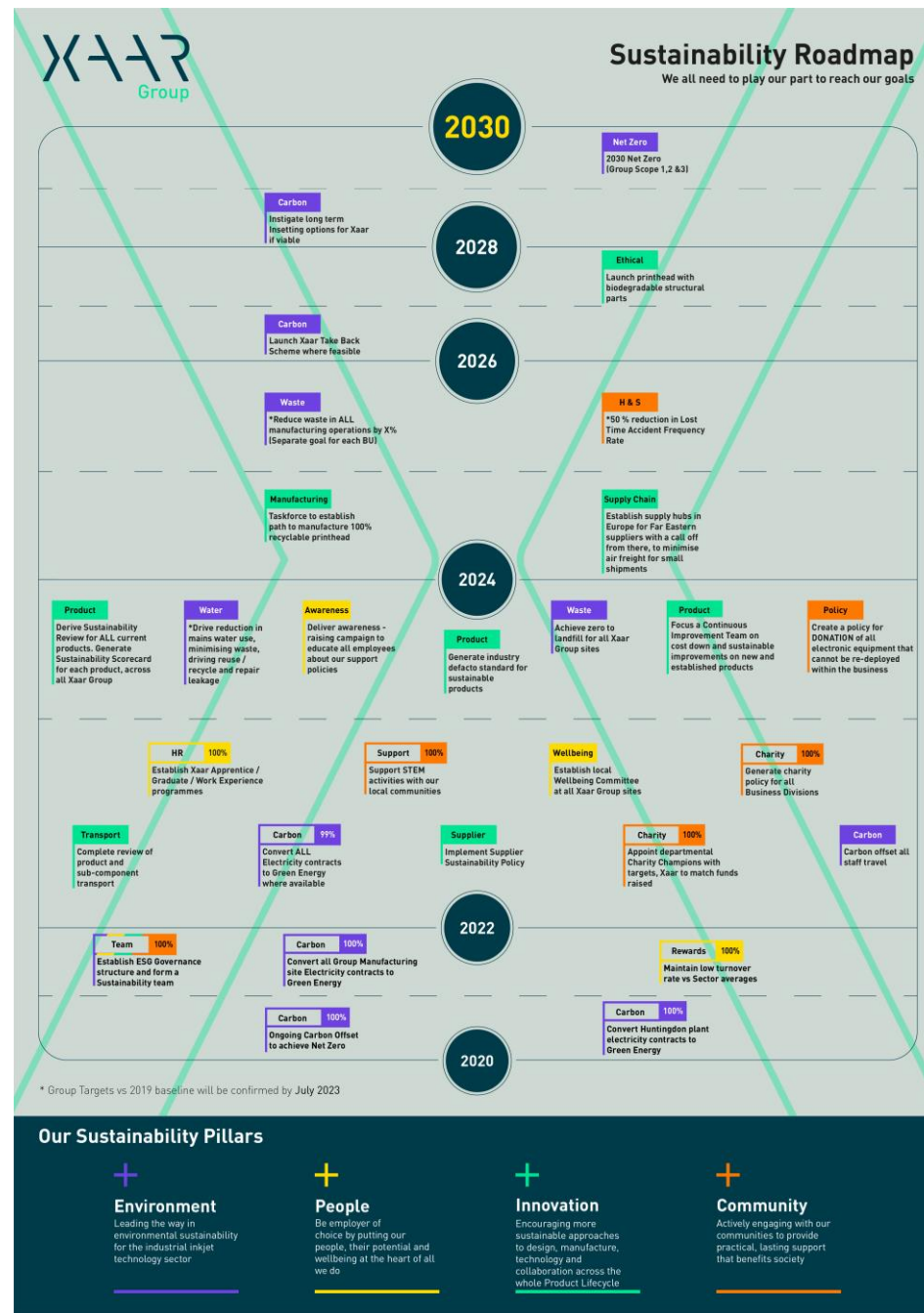
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Update on ESG Roadmap

Our ESG roadmap reflects continued commitment to ESG at every level of the business.

Our focus remains on helping our customers transform *their* industries through *our* solutions.

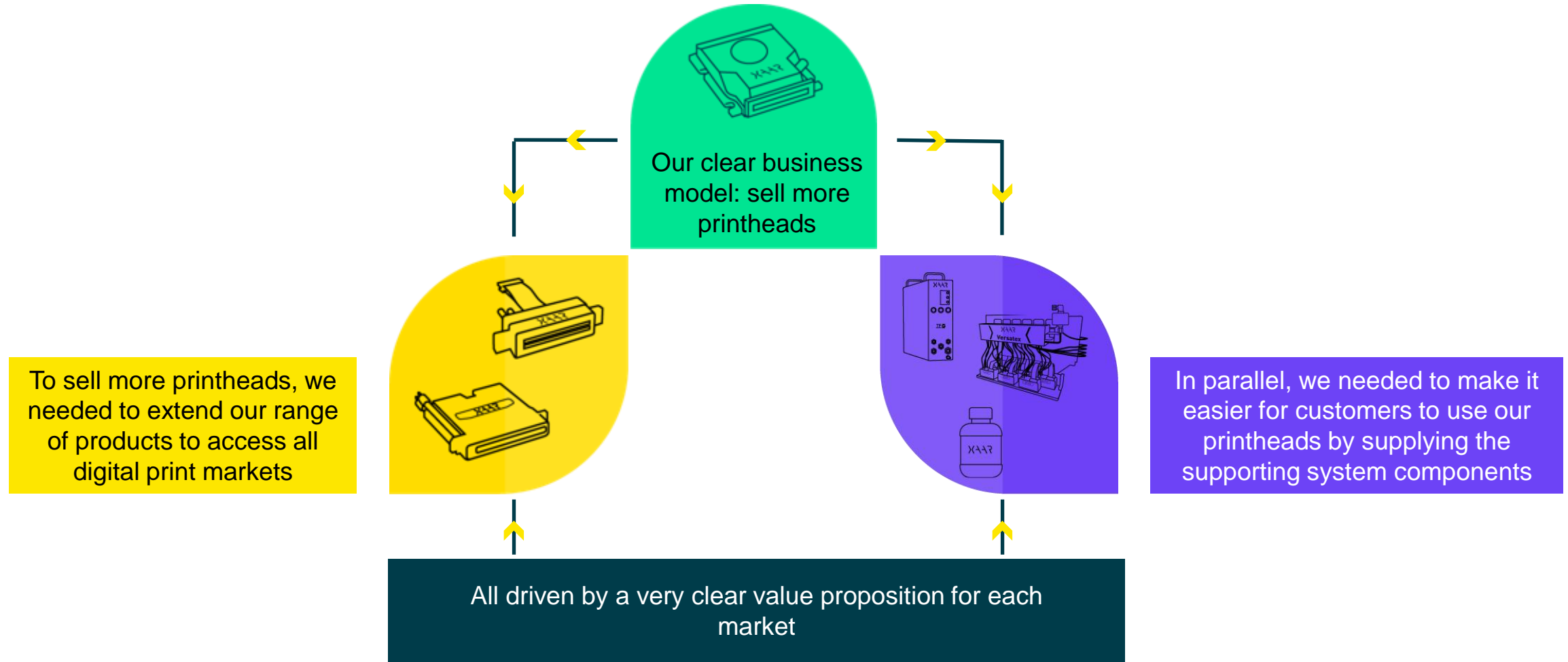
Employee engagement recognised with our accreditation as a Great Place to Work



**Delivering on a
clear strategy**

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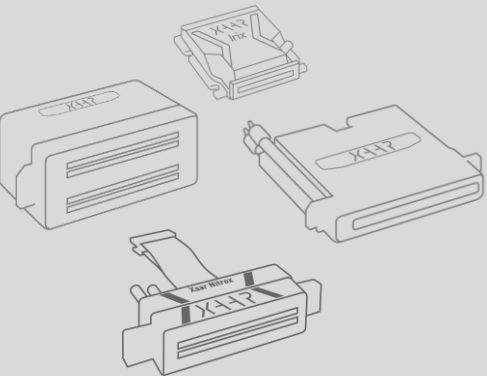
We are delivering a compelling product in each of our market segments



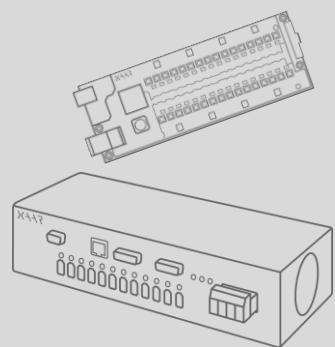
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The Inkjet
Opportunity

Printheads



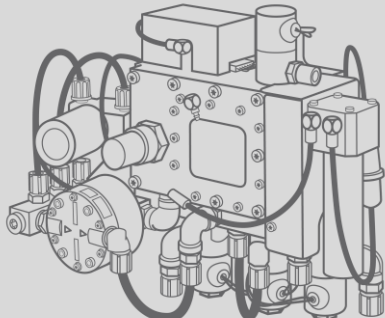
Electronics & datapath



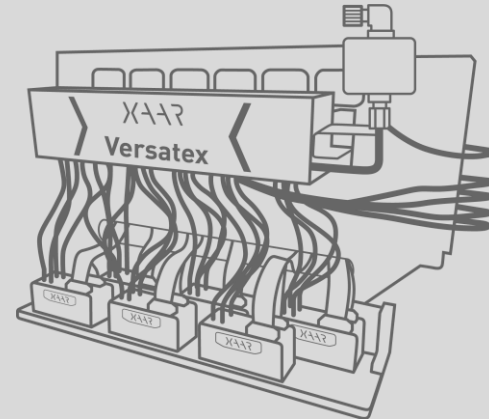
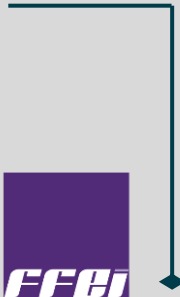
Inks



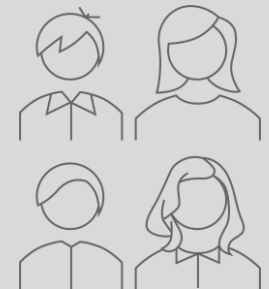
Ink supply systems



Print engines



Support



Product roadmap will deliver total addressable market of £1bn

- Xaar historically focused on Ceramics and C&M – Total addressable market <£200m
- Strategy is to have compelling product in each of the 5 major markets, giving total addressable market of £1bn
- We have launched new products in 4 of the 5 markets to date

Ceramics and Glass

Mature market

Market £100m



Xaar share
17%

Xaar 2002
Launched 2020

C&M and DTS

Mature market

Market £100m



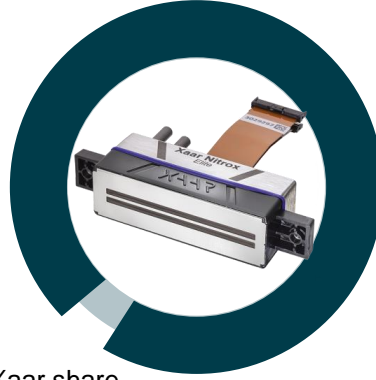
Xaar share
14%

Xaar Irix
Launched 2021

3D and Adv Man

Very high growth market

Market £200m



Xaar share
2%

Xaar Nitrox
Launched 2021

Packaging and Textiles

Very high growth market

Market £100m



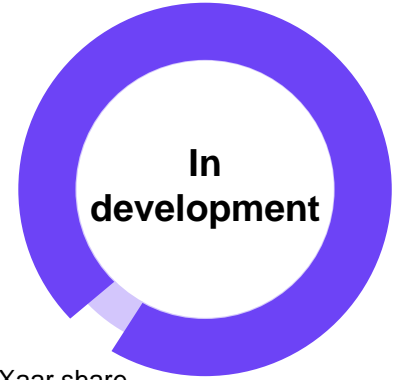
Xaar share
<1%

Xaar Aquinox
Launched 2022

WFG and Labels

Medium growth market

Market £500m



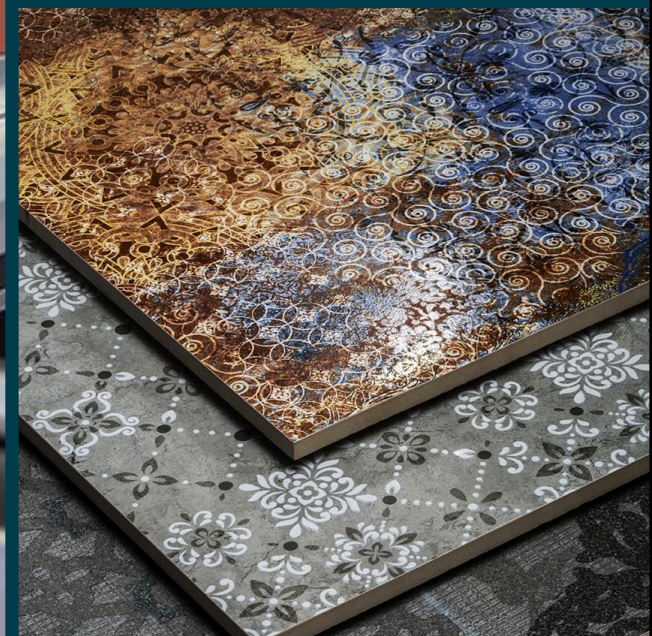
Xaar share
1%

Next Gen
Launch Q4 2024

Ceramics and Glass

Regaining market share with higher resolution

- High energy prices and declining construction market in China leading to decrease in total market size
- OEMs looking to differentiate
- Opportunity for Xaar with 720dpi



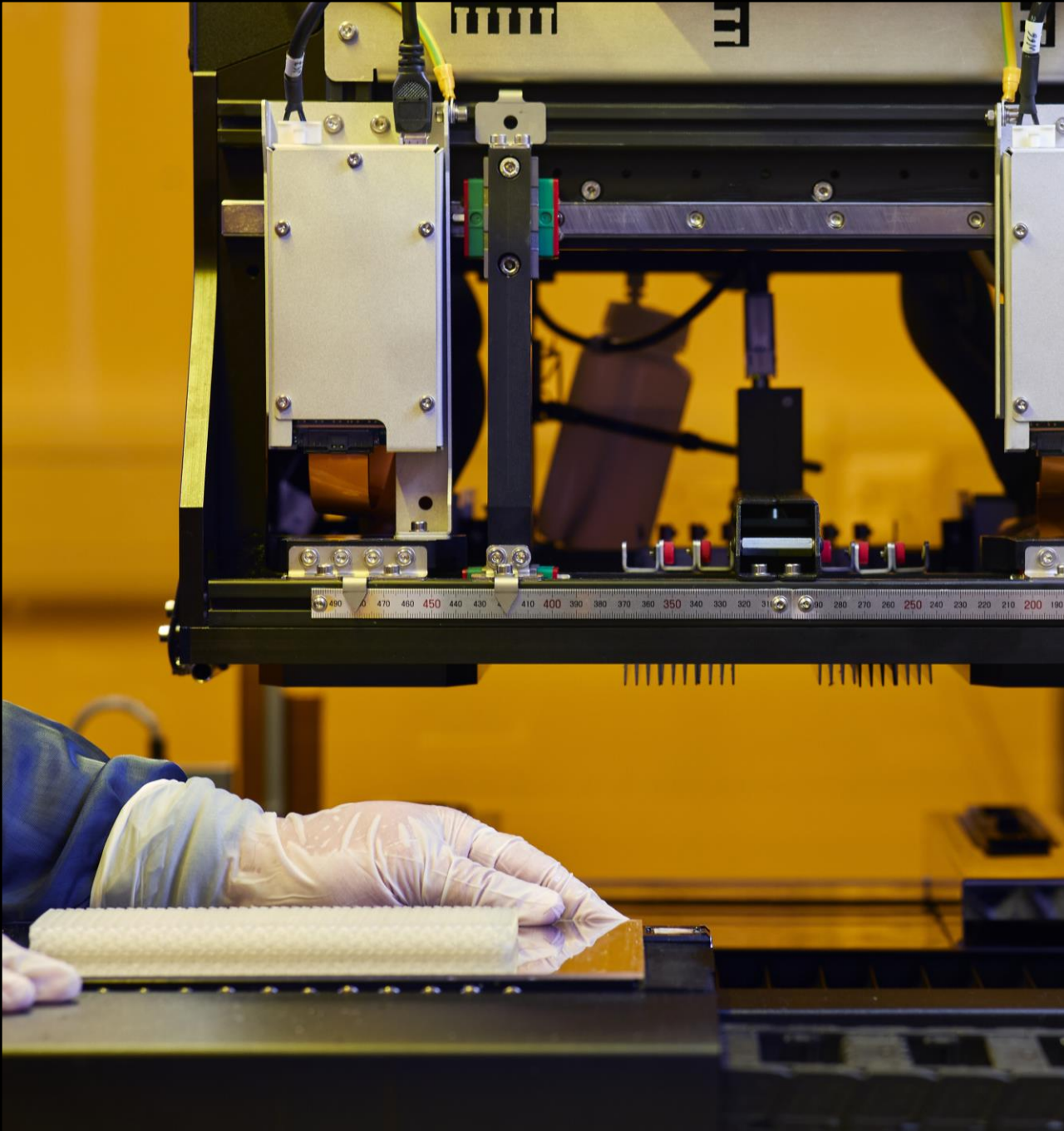


C&M and DTS

Demonstrated class-leading throw distance

- Three new product launches expected in C&M
- Emerging new opportunities in Coding & Marking utilising High Laydown technology
- Good traction in Direct-to-Shape but relatively small growth from this sector

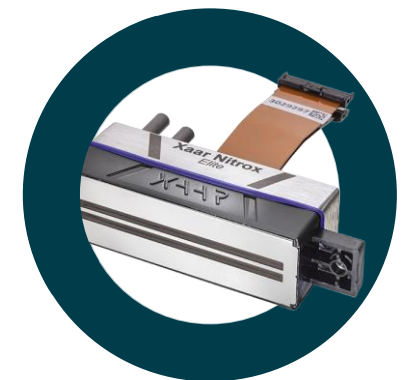




3D and Advanced Manufacturing

Market enabled by high viscosity capability

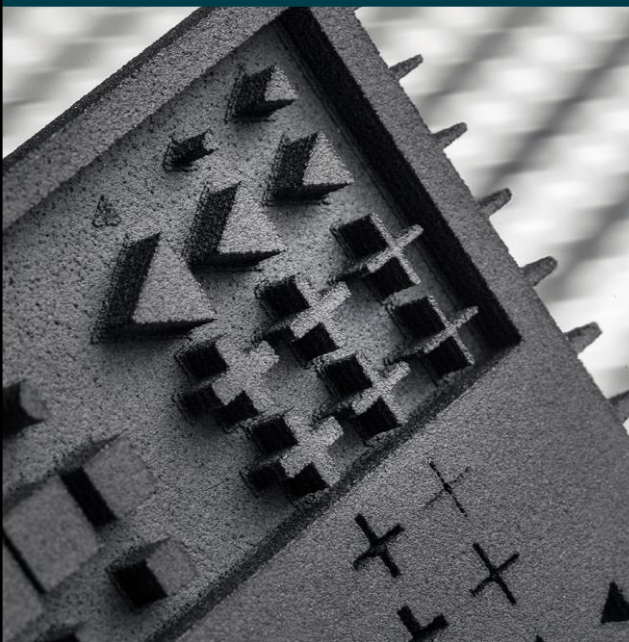
- Emerging opportunity in B2C 3D printers enabled by Xaar Irix
- Xaar partnering with market leaders
- Launches expected over next 6-12 months
- Revenue opportunity will depend on consumer adoption



3D – Polymerjetting

- Printing of liquid plastic that is cured with Ultra Violet light
- Current plastic parts are fragile, usually only used for prototyping
- Xaar’s high viscosity capability means new materials can produce parts with significantly better functional performance
- Enabling opportunities to use 3D Polymerjetting in volume manufacturing
- Working with market leaders on adoption of Xaar technologies in the next generation of Polymerjet printers



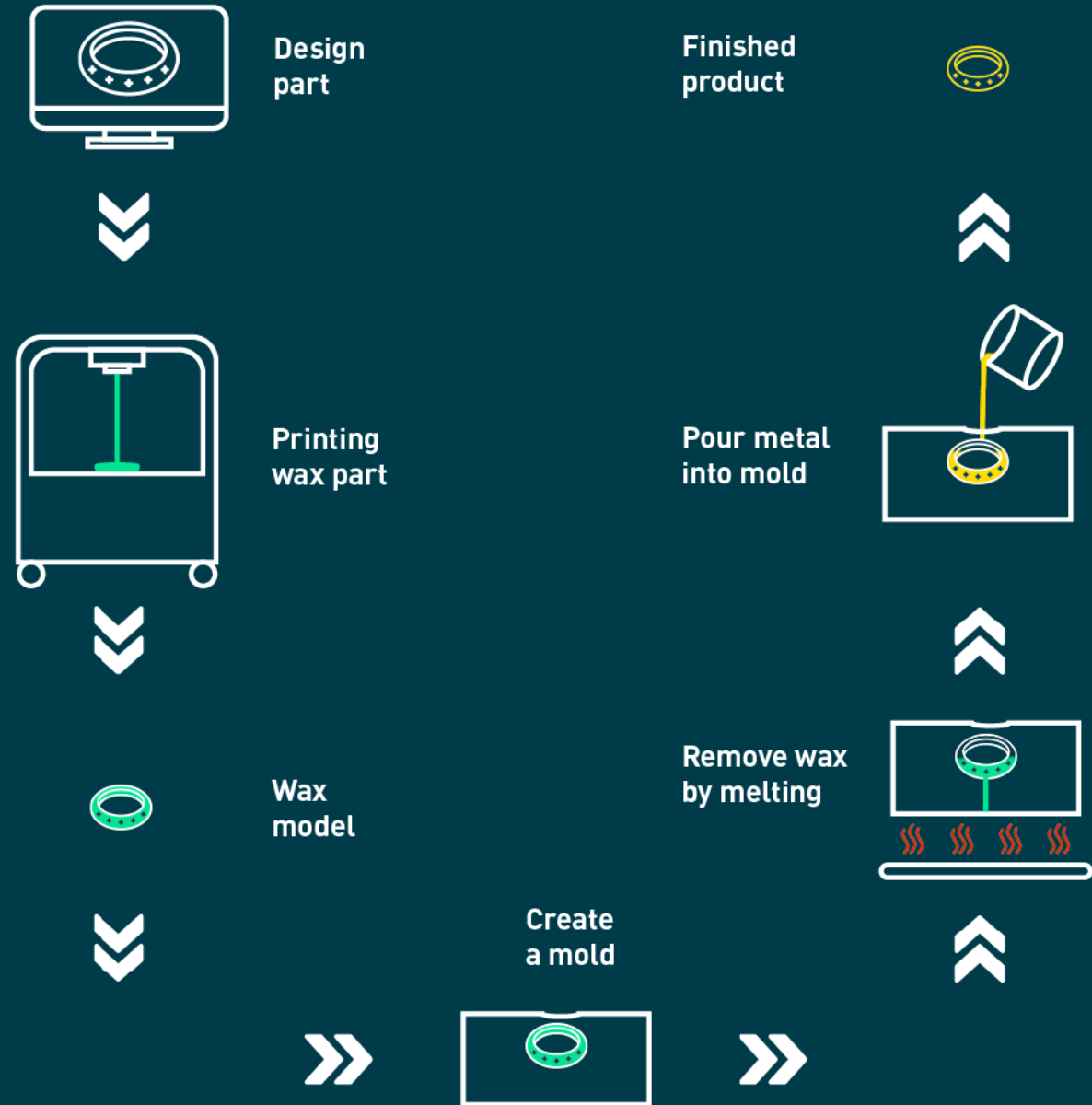


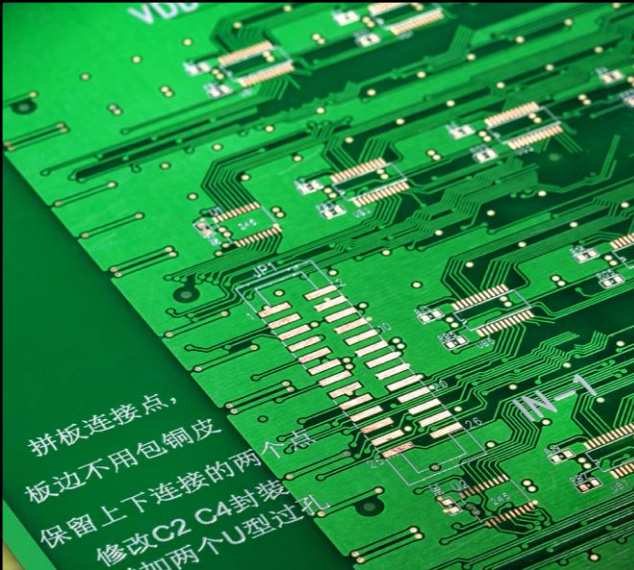
3D – Binderjetting and Powder Bed Fusion

- Plastic or metal powders are bound together by a fluid that is inkjet printed
- Xaar's high viscosity capability enables higher yield and reliability, delivering larger parts and lower cost per part
- Xaar technologies already adopted by market leaders

3D – Wax Printing

- Method to process intricate, precise metal parts
- Major market is manufacture of jewellery
- A wax facsimile of the part is used to create a mould
- Xaar's ability to print high viscosity fluids at high temperatures with increased resolution and throughput are key differentiators in this market
- Significant product launches over next 6-12 months





拼板连接点，
板边不用包铜皮
保留上下连接的两个点
修改C2 C4封装
增加两个U型过孔

Ultra High Viscosity
TECHNOLOGY



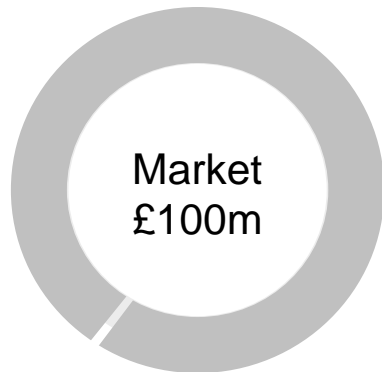
Advanced Manufacturing

- Good progress towards commercialisation from several key projects in our pipeline
- Use of our technology in the production of electric vehicle batteries on track to roll out in early 2024
- Partnered with Axalta to commercialise the replacement of spray painting of cars
- Other industries are starting to recognise that Xaar's capabilities to print more functional fluids could enable use of digital print in their production processes

Packaging and Textiles

Our most significant product launch to date

- Aquinox enables Xaar to address the packaging and textiles markets
- Aquinox gives the opportunity to print with lower energy, higher throughput, and stronger colours
- First customer product launches in H2 this year
- Significant revenue for Aquinox will not start until 2025





Wide Format Graphics and Labels

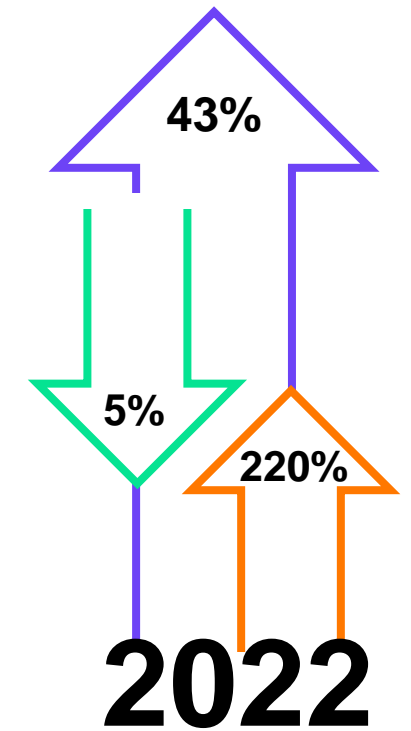
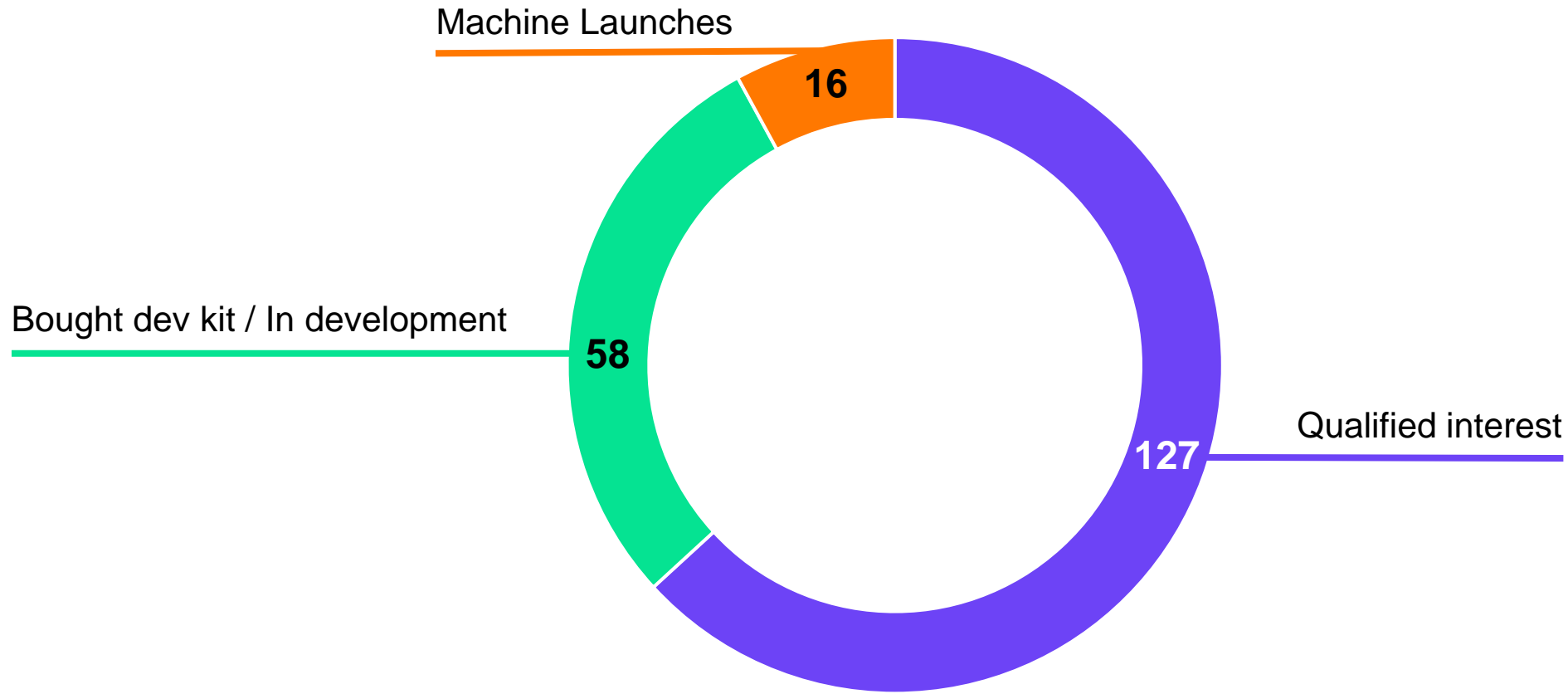
Biggest single industrial print market

- New product in H2 2024
- Invested £4m in developing a new custom ASIC enabling higher resolution and higher speeds
- Expect delivery of first units at the start of Q4



ImagineX

Customer pipeline




Launches into different markets

1
Ceramics and Glass

6
C&M and DTS

8
3D and Adv Man

1
Packaging and Textiles



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Q&A

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