

KEVIN JOHNSON, CEO
ISABELLE MADDOCK, CFO
DAVID BUNDRED, CHAIR

NOVEMBER 2023

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PRESENTATION TEAM



DR KEVIN JOHNSON

CHIEF EXECUTIVE OFFICER

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.



ISABELLE MADDOCK

CHIEF FINANCIAL OFFICER

Isabelle is a fellow of the Chartered Institute of Management Accountants with over 30 years' experience. She joined Surface Transforms from James Cropper plc where she was Chief Financial Officer for 9 years. Prior to this she has held a number of financial roles across a variety of sectors covering manufacturing (Angus Fire Amour, 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.



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.

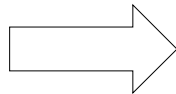


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05-06 About Surface Transforms

07 Project Optimus

08 Scale up Challenges



Q&A – Scale up Challenges

10 Business Development KPI's

11 Manufacturing Capacity



Q&A – Customers & Capacity

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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 technology¹
- £2b/yr addressable market²
- Advanced manufacturer with significant expansion opportunity³
- High growth with contracted models worth £390m and PCP³ of £300m⁴
- 5-year capital expansion plan well underway to deliver £150m capacity revenue for 2027 to support demand from contracts and PCP⁵



¹ In terms of heat management and lifetime

² This is based on the directors' expectations, their understanding of the relevant OEMs production plans and estimated demand for discs

³ Directors' belief based on the proprietary technology of the Company and current customer demands and prospective contract pipeline

⁴ This is based on the directors' expectations, their understanding of the relevant OEMs production plans and estimated demand for discs and it takes into account the expected lifetime revenue from the company's contract with OEM 10 which is anticipated to be entered into following the company's recent nomination as OEM 10's tier one supplier of a carbon ceramic brake discs

⁵ Based on management's estimates of sales proceeds from expected production volumes

CURRENT STATUS

Our strategy

- Our immediate ambition is to reach £100m sales in the current planning period en-route to reaching £250m sales by 2030¹

Why now?

- Driven by recent market success- we need the capacity now¹

Profits build capacity

- This fundraising provides working capital cash needed to support scale up
- Debt finance plan in advanced stages of negotiation to support capex over next 18 months

YTD production

- Production ramp-up in FY23 slower than planned
- New COO and team has identified causes and mitigation plans to close the gap and meet future levels of production
- Q4-2023 revenue expected to be c.£3.3m
- Oct-2023 actual revenue of £1m



1 The Directors believe that based on existing customer contracts and PCPs, the current capacity will not provide the required production capacity to meet demands from OEMs

PROJECT OPTIMUS

Proposed £8m placing + £2m open offer

- Supports immediate working capital requirements - existing operations and scale up
- Profitability achieved in the near term through series production contracts
 - 5 contracts in multi-year revenue generation phase
 - Gross margin of 60%¹
- Manufacturing capacity being built reserved for existing contracts
 - Lifetime contracts value over £390m²
 - Contracts awarded valued at £79m/yr² revenue
- Existing contracts and prospective contract pipeline (PCP) requires further capacity beyond £75m
 - Manufacturing capacity of £150m/yr² required for demand and resilience
 - PCP value £300m, with opportunity of additional £50m/yr³ revenue

This equity fundraising and proposed debt finance package provide the support to deliver Phase 3 without further equity calls

Proposed £13m capital expenditure debt facility

- Advanced stages of negotiation
- 5-year term
- Support £75m/yr capacity expansion and commencement of £150m/yr capacity plans



¹ Refers to gross margin for 2023, 2024 and 2025

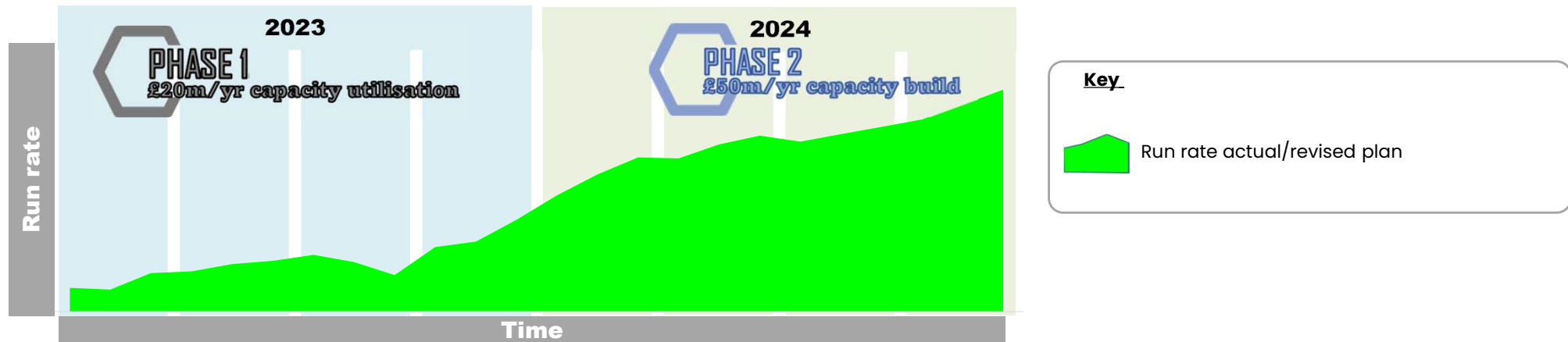
² This is based on the directors' expectations, their understanding of the relevant OEMs production plans and an assumed disc demand (includes nominations and contracts)

³ Based on management's estimates of sales proceeds from expected production volumes.

SCALE UP CHALLENGES

Capacity resilience and process maturity causing delays

- Steady ramp up in Q2 into Q3 with resolution of Q1 technical issues
- End of Q3 & Q4 ramp up gap – drop-in run rates causing delays to revenue



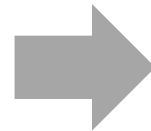
Risks

Manufacturing resilience

- Single points of failure heighten risk
- No buffer stocks

Stability of manufacturing processes

- Maintenance learning curve for complex equipment
- A marked increase in headcount causes disruption in the short term



Mitigation

Building additional capacity

- Reduce single point of equipment dependency
- Enable buffer stock builds

Embed manufacturing management processes

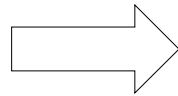
- Strengthened team leaders and leadership
- Better plant maintenance
- Improved manufacturing control systems

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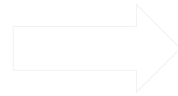
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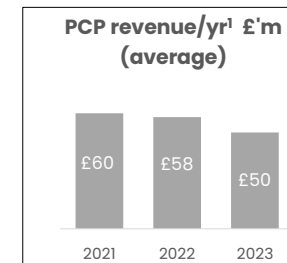
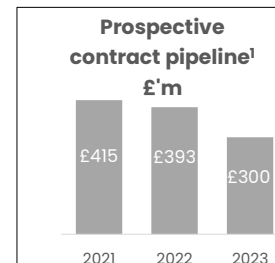
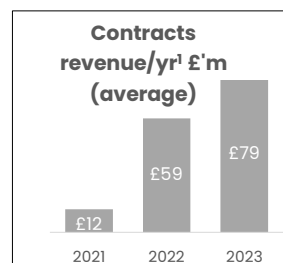
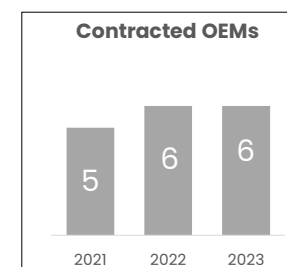
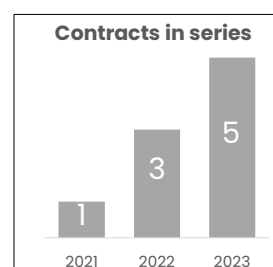
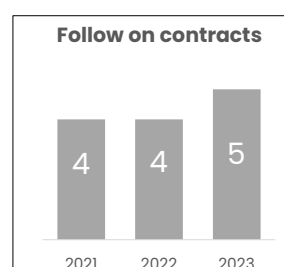
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BUSINESS DEVELOPMENT KPIs

Sustainable growth with strong order book and prospective contract pipeline (PCP) ¹

- Strong and growing number of contract awards providing sustainable, high growth over next 5 years
- Substantial number of follow on contracts leveraging ST product technology and customer relationships
- Increasing number of contracts in series production driving revenue growth¹
- Stable customer base working closely with ST to support capacity expansion and growth
- Large lifetime contract value of £390m¹, providing contract revenues of £79m/yr¹
- Significant PCP of £300m¹, offering additional £50m/yr¹ revenue, the majority of which is follow on contract opportunity

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 ²



¹ This is based on the directors' expectations, their understanding of the relevant OEMs production plans and an assumed disc demand
² This is based on the directors' confirmation that the Company has engaged in sourcing discussions with other OEMs

MANUFACTURING CAPACITY

Increasing capacity capability and capacity resilience

Capacity Revenue



£20m/yr

Capacity in place – supports ‘in series’ contracts

- Installed and in production
- Delayed utilisation and ramp up, recovering in Q4 to support 2024



£50m/yr

£75m/yr

£14m¹ investment capacity expansion – fully booked to current contract awards

- £50m/yr capacity support 2024 demand & establish some capacity resilience²
- Available for production in 2024
- £75m/yr required for capacity resilience and growth in 2025
- Remaining equipment defined with installation in 2024
- Available for production in 2025
- Supported by debt finance facility – in advanced stages of negotiation



£150m/yr

£30m investment capacity planning – required for 2026/27

- Required to support contract awards and PCP³
- Land and building lease due to be entered into to support expansion plans
- Equipment and process technology in development



¹ This figure is rounded up and includes a 10% contingency

² These figures are based on management's estimates of sales proceeds from expected production volumes

³ Based on the directors' expectations, their understanding of the relevant OEMs production plans and estimated demand for discs

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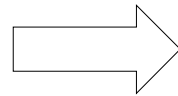
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MANUFACTURING OPERATIONS

Supporting scale up through process improvement & lessons learnt

People

- New CFO & COO joined in September
- Production operation now led by 4 upgraded managers
- Restructure & training program for maintenance team
- Training initiatives to support rapidly grown production teams

Process

- Improved production planning process
- Refined maintenance scheduling and planning
- Expand knowledge and skills through "Training the Trainers" and development programme
- Increase in quality Kaizen* events

Systems

- Improved prioritisation and KPI management
- Development of maintenance management system
- Deeper SAP integration for production & planning



* A Kaizen event is a short-term improvement event that focuses on a specific process or area to make significant and lasting improvements

WORKING CAPITAL REQUIREMENT AND USE OF PROCEEDS[^]

	£'m
Net cash outflows from operations (Nov 23 – Feb 24)	5.2
Contingency (prior to placing fees)	2.8
Total	8.0

CAPITAL EXPENDITURE ANALYSIS

	Capex facility	Retained profits*	Total
	£'m	£'m	£'m
Phase 2	9	5	14
Phase 3	4	26	30
Total	13	31	44

FUNDRAISING STRUCTURE AND TIMETABLE

	£'m	Week commencing
Placing – firm	2	
Placing – conditional upon shareholder approval and Capex facility	6	18 Dec
Total	8	
Open offer	Up to 2	18 Dec
Capex facility	13.2	



[^]Based on forecasted profit the Directors expect during the financial period 2023 to 2027

INVESTMENT SUMMARY

- Capacity resilience and ramp up gap understood and being addressed.
 - New team has identified causes and mitigation plans to close the gap and meet future levels of production.
- Phase 2 manufacturing capacity of £75m/yr booked to existing contracts¹
 - Lifetime contracts value over £390m²
 - Contracts awarded total £79m/yr¹ revenue
- Contracts and PCP requires Phase 3 £150m/yr capacity
 - Required for anticipated demand and manufacturing resilience
 - PCP opportunity of additional £50m/yr revenue
- Debt finance plan in final stages of negotiation
 - Supports Phase 2 completion and commencement of Phase 3
- Profitability through ramp up of series production contracts
 - 5 contracts in multi-year revenue generation phase
 - Gross margin of 60%³
- This fund raising and the proposed debt finance provides the support to deliver the scale up without further equity calls



¹ This is based on management's estimates of sales proceeds from expected production volumes

² This is based on the directors' expectations, their understanding of the relevant OEMs production plans and estimated demand for discs and it takes into account the expected lifetime revenue from the company's contract with OEM 10 which is anticipated to be entered into following the company's recent nomination as OEM 10's tier one supplier of a carbon ceramic brake discs

³ Refers to gross margin for 2023, 2024 and 2025

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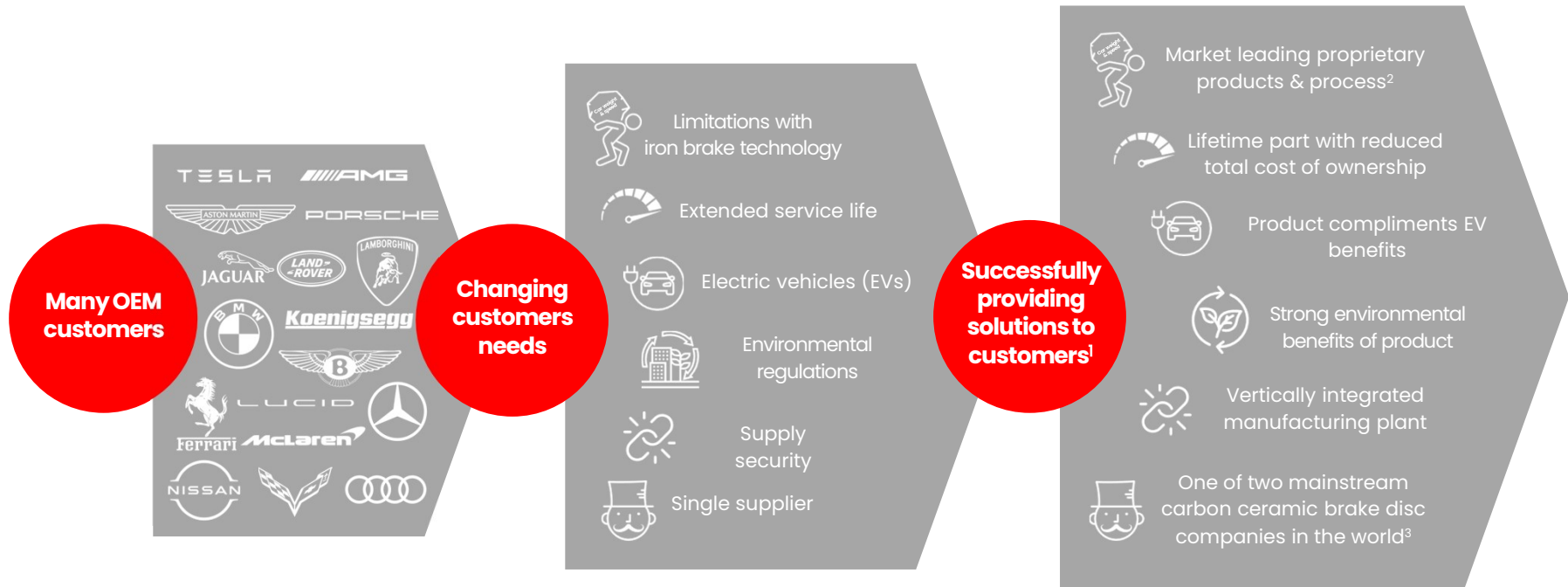
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APPENDICES

- Automotive market drivers
- Market development
- ESG
- Proprietary Process
- Lead Time with an OEM
- Board of Directors



AUTOMOTIVE MARKET DRIVERS



¹ This is based on the directors' understanding, that the Company successfully provides solutions to its customers by reference to the contract awards from existing and new customers
² This is based on the Directors believe that the Company's products and process are "market leading" and "proprietary"
³ This is based on the directors' experience and understanding of the market

MARKET DEVELOPMENT

Navigating challenges, global issues and scale up risks



¹ This is based on the directors' expectations, their understanding of the relevant OEMs production plans and estimated demand for discs, and it takes into account the expected lifetime revenue from the company's contract with OEM 10 which is anticipated to be entered into following the company's recent nomination as OEM 10's tier one supplier of a carbon ceramic brake discs

² PCP – prospective contract pipeline, this is based on the directors' expectations, their understanding of the relevant OEMs production plans and an assumed disc demand

ESG

Environment:

- Product is renowned for reducing brake dust, light weighting and durability
- Energy strategy targets carbon reductions through new furnace technology
- Green Economy Mark company

Social:

- We have taken on 3 additional apprentices and 9 graduates. 26% of our workforce are graduates
- Employee health and wellbeing is promoted through health surveillance, as well as mental health support through Health Assured assistance program
- Local school partnerships in place providing STEM awareness, work experience, apprenticeships and graduate career pathways
- All employee partnership share plan coming soon
- Committed to paying the living wage

Governance:

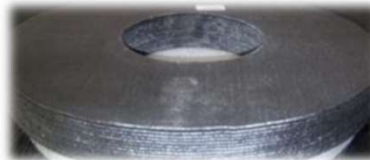
- Onsite dedicated cybersecurity resource and selected partners to retain coverage of expertise
- Policies and procedures modelled on the NIST framework and CIS critical security controls are continually updated as the business environment develops
- Conducted Board effectiveness review in 2023
- Improved Board diversity



PROPRIETARY PROCESS



Ox-Pan Preform



Carbonisation



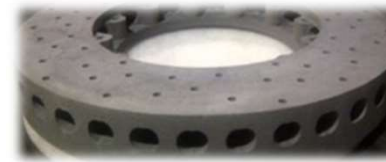
Chemical Vapour Infiltration



Heat Treatment



Carbon- Carbon Machining



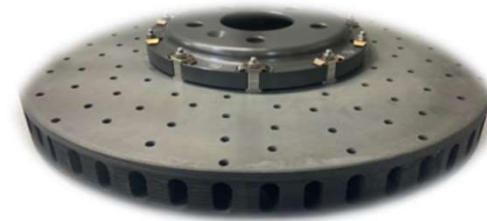
Melt Infiltration



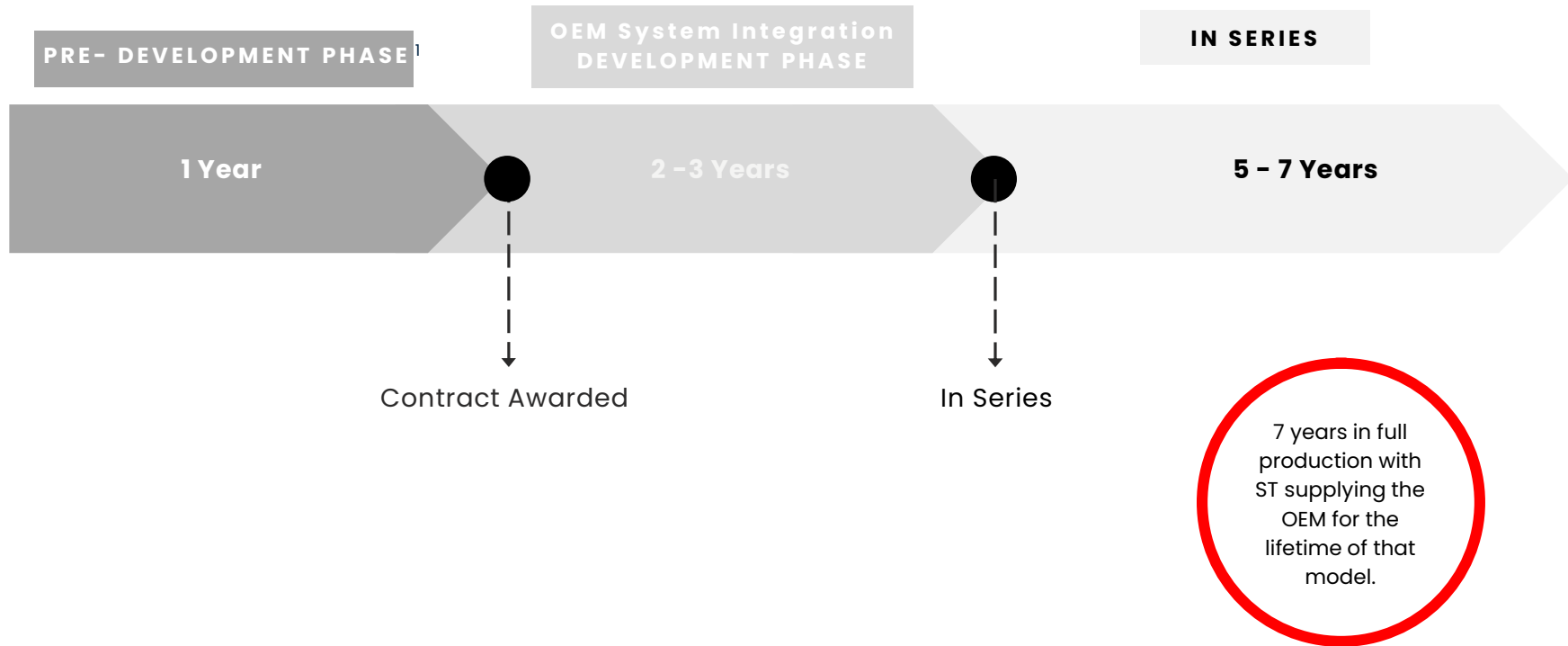
Ceramic Machining



Ceramic Friction Layer



LEAD TIME WITH AN OEM



The Directors confirm, based on their industry knowledge and experience of supplying OEMs, that the lifecycle of OEM production takes about seven years from pre-development to full series production

KEY MANAGEMENT



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.



Isabelle Maddock, Chief Financial Officer

Isabelle is a fellow of the Chartered Institute of Management Accountants with over 30 years’ experience. She joined Surface Transforms from James Cropper plc where she was Chief Financial Officer for 9 years. Prior to this she 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.





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 until recently was a member of RICS Standards and Regulations Board. Julia is currently a non-executive director of Outokumpu a leading global stainless-steel manufacturer based in Helsinki.



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.



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.



Stephen Easton, Chief Operations Officer (Non-Board)

Stephen has over 26 years of experience and joins the organisation from SGL Carbon, a €1bn revenue global graphite and fibre manufacturing company, where he was Managing Director for their UK operations. During his 16-year tenure he held various leadership positions both in the UK and US, specialising in carbon and oxidised fibre. Prior to this, he worked in a variety of different senior operational roles within the manufacturing sector. He holds an honours degree in Manufacturing Engineering & Management from the University of Dundee. Stephen joined Surface Transforms in September 2023.

