



Full Year Results Review

Year Ended June 2020

November 2020



Our key USP's

An Industry leading materials technology beacon

- Two state-of-the-art technologies brought together – plasma functionalisation and nanomaterials – in unique, environmentally friendly and growing world-wide applications;
- Our capacity to produce commercial levels of functionalised nanomaterials sets us apart;
- The next phase of these technologies is ready to roll out – keeping Haydale ahead of the competition;
- Patents on the HDPlas® process and PATit technologies (the latter with a number pending) being supplemented and aligned to considerable in-house know-how;
- A team that is fully adaptable to the challenges of the new world and to turn obstacles into opportunities – moves at speed with commercial focus;
- £1.6m reduction in loss from operations – reduced YoY revenue offset by gross profit margin improvements and reduction in overheads; and
- The company has moved swiftly to address new markets and at the same time further reduced costs to streamline for the new normal commercial business world – team is now circa 50.



FY20 Highlights

- Good progress made on delivering the Group's commercial strategy and, despite the challenges, have used the Covid-19 pandemic as a catalyst to broaden the scope of our portfolio;
- Multi-year contracts for the sale of functionalised graphene agreed with customers in Korea and China and collaborating with IRPC (Thailand) on the production of anti-bacterial face masks;
- Focused development of our patented HDPlas® process with key achievements including:
 - increase in surface oxygen levels to 28 per cent which allows Haydale potential access to the Graphene Oxide market; and
 - development of next generation functionalised graphene ink with resistivity reduced to <10 ohms.
- Global sales team starting to deliver commercial revenues through cross border sales and technical collaboration with, amongst other successes, recent announcements for Dowty Propellers, IRPC and sales of CeramycShield™ to a UK water company post year end;
- Awarded new UK and EU grants for projects that demonstrate a clear commercial pathway or add significantly to our knowledge base on potential future applications;
- Scaled up production of Silicon Carbide (SiC) blanks at the US facility to industrial levels, although subsequently aerospace demand was severely impacted by the Covid-19 pandemic;
- Closure of Taiwan facility and relocation of the production to our other sites with little disruption and minimal incremental cost; and
- Concluded a distribution agreement with U-Win for Taiwan and memorandum of understanding with a Sino-UK facilitator for China - the Group is encouraged by the early results of these collaborations which resulted in the sale of SiC microfibres to China post year end.



Financial Review

Profit & Loss

	Jun-20 Audited £'000	Jun-19 Audited £'000	% Mov
Revenue	2,947	3,467	-15%
Gross Profit	2,062	1,900	9%
<i>Gross Profit Margin</i>	70%	55%	
Other Operating Income	756	785	-4%
Adjusted Admin Expenses	5,357	6,865	22%
Adjusted Operating Loss	2,538	4,179	39%
Adjusting Administrative Items			
Share Based Payment Exp	11	200	
Restructuring Costs	63	350	
Dep & Amort	1,640	1,118	
Total Trading Admin Expenses	7,049	8,533	-17%
Loss from Trading	4,231	5,848	-28%
Impairment	0	1,784	
Loss from Operations	4,231	7,632	45%
Finance Costs	176	123	-43%
Loss Before Taxation	4,407	7,755	43%
Taxation	391	570	-31%
Loss for Year from Cont. Ops	4,016	7,185	44%

- Turnover adversely impacted by Covid -19
 - Blanks sales 'ground to a halt' and compounded US aerospace issues
 - UK orders moved to the right – postponed but not lost
- Gross Profit and GP margin improved, offsetting revenue fall in H2
- Other operating income including grants maintained YoY due to:
 - £0.20 million from US Cares Act
 - Like for like (LFL) grant income fell by £0.23 million
- Operating costs on a LFL basis (excluding IFRS 16 adj) of £5.99 million (FY19: 6.87 million)
 - Cost savings of £1.72 million over last two years
- Loss from trading reduced by £1.62 million (28%) despite fall in revenue
- No impairment on intangible assets in FY20
- Fall in taxation reclaim due to FY19 including elements of FY18 claim.



Clean Audit report without any material uncertainty with respect to Going Concern

Financial Review

Cashflow Statement

	Jun-20 Audited £'000	Jun-19 Audited £'000	% Mov
Operating cash flow before working capital changes	2,578	4,590	44%
Working Capital Movement	746	188	-297%
R&D Tax Credit Received	847	76	1014%
Net Cash used in Operations	2,477	4,702	47%
Net Cash used in investing activities	295	1,472	-80%
Cash Flow used in Financing Act			
Finance Costs	94	123	24%
Finance Costs - Right of Use Asset	82	0	
Payment of Lease Liability	631	0	
Net proceeds from Share Issue	450	5,634	-92%
New Bank Loans Raised	50	750	-93%
Repayment of Borrowings	835	500	-67%
	1,142	5,761	
Effect of XR Changes	49	9	444%
Net Change in Cash	3,865	404	-857%
Balance at Start of Year	4,688	5,092	8%
Balance at End of Year	823	4,688	82%

- Significantly reduced outflow from Operations in FY20:
 - improvement of £1.38 million on a LFL basis exc £0.63 million IFRS classification changes.
- Adverse working capital movement due to:
 - Timing on sales/receivables – strong June 20;
 - US inventory – will unwind through FY21.
- R&D Tax Credits – credits from both FY18 and FY19 received in year;
- Fixed assets – significant reduction in fixed asset investment:
 - FY19 had (\$1.2 million) investment in US blanks tooling business.
- Financing
 - UK Bounceback loan for £0.05 million;
 - Repayment of Development Bank of Wales £0.75 million loan and partial repayment of US Fixed Asset loan (final payment in Oct 2021).

Financial Review

Balance Sheet

	Jun-20 Audited £'000	Jun-19 Audited £'000	% Mov
Non Current Assets	9,006	8,013	12%
Goodwill	1,454	1,453	0%
Intangible Assets	1,145	1,024	12%
Property, Plant & Equip	6,407	5,536	16%
Current Assets	4,139	7,815	-47%
Inventories	1,712	1,182	45%
Trade Receivables	886	637	39%
Other Receivables	334	472	-29%
Corporation Tax	384	836	-54%
Cash	823	4,688	-82%
Total Assets	13,145	15,828	-17%
Non Current Liabilities	2,770	1,473	-88%
Bank Loans	304	388	-22%
Pension Obligation	1,435	1,085	32%
Other Payables	1,031	0	
Current Liabilities	2,924	3,124	-6%
Bank Loans	944	1,568	-40%
Trade & Other Payables	1,906	1,347	41%
Deferred Income	74	209	-65%
Total Liabilities	5,694	4,597	24%

- IFRS 16 adjustments made to:
 - Property, Plant and Equipment increased by £1.2 million; offset by
 - Right of use liability included in Other Payables of £1.0 million.
- Increase in working capital due to:
 - Significant increase in inventory at US site which will unwind through FY21
 - Increase in trade receivables only partly offset by Trade and other payables
- Corporation tax (R&D tax credits) reduced in year due to receipt of FY18 and FY19 tax credit in H1 FY20.
- US Defined Benefit Pension Scheme (Closed) obligation increased due to reduction in discount rate adopted.
 - No cash payments expected to be made to the scheme in FY21.
- Net repayment of Bank loans in the year of £0.70 million.

Summary Outlook

- Covid-19 has been a major challenge with the US operation in the 'eye of the storm';
- The crisis has been used as a catalyst to further gear Haydale for growth in all regions . The business has moved quickly with its main restructuring programme, resized and adapted quickly to the new world of Covid-19 through market and portfolio diversification;
- Haydale's spread of current and potential customers in different industries and geographies continues to grow and provides business resilience;
- Our long-term business confidence is underpinned by belief in significant impact our state of the art technology can have on materials science in many sectors. This is now being recognized and attracted over 800 delegates at the recent Graphene Council Webinar;
- The next phase of these technologies is ready to roll out – keeping Haydale ahead of the competition;
- The team has shown that it is fully adaptable to the challenges of the new world and to turn obstacles into opportunities – and moves at speed – commercially;
- Directors are focused on commercializing Haydale's portfolio and delivering on investors' long-term support for the business.



Thank you

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