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Equipmake Holdings PLC
15 July 2024

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15 July 2024

Equipmake Holdings plc
("Equipmake", the "Company" or the "Group")

Trading Updatefor the year ended 31 May 2024

Equipmake, a market leader in engineering-driven differentiated electrification technologies, products and solutions across the automotive, truck, bus and speciality vehicle industries, announces a trading update for the year ended 31 May 2024 ("Year").

Corporate Highlights

- During the Year the Company strengthened its leadership and talent base as it further rolls out its commercialisation and growth plans:
  - o Nick Moelders was appointed Chief Operating Officer in January 2024;
  - o Tony Ratcliffe was appointed Chief Financial Officer and Company Secretary in April 2024;
  - o Jinsong Dai joined as VP Sales and Business Development in May 2024;
  - o All these new hires have a strong pedigree of delivering significant growth in fast moving international technology businesses and they are already positively impacting the business.
- The Company raised £4.1 million of new funds in February 2024. The Board is grateful for the support from existing shareholders and is pleased to welcome a number of new shareholders.
- The Company announced a number of significant new client / Tier 1 contract wins as it continues its growth trajectory.

Operational Highlights

The Year was transformational for the Company as it scaled its operations in order to deliver greater volumes of business. The Company delivered attractive revenue growth and increased margins from the manufacture and supply of electric vehicle components and full zero emission drivetrain solutions. This is the core strategic growth area for the business as customer traction accelerates with Original Equipment Manufacturers ("OEMs") and Tier 1 suppliers (which are direct suppliers to OEMs).

- The largest increase in revenue was from Bus Repowering (where the Company both supplies the full electric drivetrain solution and installs it in the recipient vehicle) and this growth was driven by strong demand and a naturally shorter sales cycle. This business line provides material revenues and, most importantly, it showcases the quality, reliability and practical usability of the Company's products and solutions, which the Company believes has been invaluable in accelerating the interest in the Company's components and powertrain supply business lines with targeted OEMs and Tier 1 suppliers.

- Equipmake was selected by a leading US aircraft, defence and industrials conglomerate for the supply and installation of a prototype electric-powered airside de-icing vehicle in September 2023. Following a successful trial an order was placed for the supply of two drivetrain kits for two further vehicles;
- Equipmake was selected by Perkins Engine Company Limited, a subsidiary of Caterpillar Inc (the world's leading OEM of construction and mining equipment and off highway plant) to leverage the Company's e-powertrain technology and expertise to develop a motor and inverter for a new off-highway hybrid system, in October 2023. In addition, a total of £3.2 million of government grant funding was secured via the Advanced Propulsion Centre over the 3.5-year life of the project;
- Equipmake won a development contract with H55, a leading aerospace propulsion company, for the development and supply of electric motors for use in electric aircraft, in January 2024;
- Equipmake won a contract with Big Bus Tours, the world's largest sightseeing company, to repower ten double deck sightseeing buses, in September 2023, with a further ten in January 2024;
- Equipmake won a £2.0 million contract with Golden Tours in February 2024 to install its zero-emission electric drivetrain solution into vehicles in its fleet, with an additional contract awarded after the year-end, in June 2024, to supply and install zero emission electric drivetrain solutions in additional vehicles; and
- Equipmake commissioned a new 50,000 square foot facility, providing capacity for expansion in product manufacture and assembly, in the first quarter of 2024.

Financial Highlights

- Revenue for the year ended 31 May 2024 is expected to be approximately £8.1 million (2023: £5.1 million), representing a growth of approximately 60% on the prior year;
- Excluding grant revenue, delivery against commercial agreements generated revenue in the year of approximately £7.3 million (2023: £4.9 million), representing growth of approximately 47% on the prior year;
- Revenue from the supply of components and full zero emission powertrains amounted to approximately £3.0 million combined, compared to £2.4 million in the prior year, an increase of approximately 25%;
- Revenues from Bus Repowering amounted to approximately £3.9 million, compared to £0.9 million in the prior year, driven by strong demand. Revenue from technology, which includes engineering projects consultancy, amounted to approximately £0.4 million in the Year, compared to £1.3 million in the prior year, the reduction driven by a strategic focus towards only offering engineering services around core products associated with OEM and Tier 1 partnerships, rather than offering bespoke general technical consulting services;
- The Company has made significant progress in deepening its engagement with global enterprise scale potential customers where, as expected, sales cycles are longer;
- Cash balances at 31 May 2024 totalled £2.5m. The Company had no debt, other than in relation to items held under finance leases. Phasing of billing, which was weighted more towards the end of the financial year, meant that receivables balances, at approximately £2.2 million, were correspondingly higher than expected;
- Bus Repowering operations have scaled rapidly during the Year. This has resulted in a number of additional unanticipated and under-estimated direct costs and consequently the adjusted EBITDA[1] loss for the Year is expected to be approximately £7.4 million (2023: EBITDA loss of £3.6 million);
- The Company recognises the labour-intensive nature of bus repowering when working at modest volumes, across various platforms and with inconsistent quality in recipient vehicles. Whilst efficiencies continue to improve, this business line incurred material additional staff costs, including temporary labour, in order to ensure deliveries met key customer agreed timelines; and
- Strategically more important, margins on components and powertrain supply were solid and trended up positively.

Outlook

- The Company has established valuable relationships with a number of OEMs, within its Components and Drivetrain Solutions businesses, a key focus for the Company as it looks ahead. These include Perkins Engine Company Limited, a subsidiary of Caterpillar Inc.; a leading South American truck, bus and utility vehicle manufacturer; a leading US aircraft, defence and industrials conglomerate; Emergency One, the largest manufacturer of fire trucks in the UK; and Rev Group, the manufacturer of speciality industrial vehicles, including fire trucks;
- The Company is also in advanced discussions with a number other global OEM and Tier 1 suppliers, in relation to the supply of motors and inverters. They are looking to leverage the Company's high performance, differentiated offerings which include functional safety (a much sought after compliance requirement for road vehicles) and system integration expertise;
- Equipmake expects to announce further partnership deals in due course, which are expected to provide attractive multi-year product volume visibility for the supply of components and drivetrain solutions, an area of key focus going forward;
- Bus Repowering continues to provide meaningful revenues and has already successfully demonstrated the quality, reliability and significant benefits of the Company's solutions in real world operation on a wide variety of platforms, helping to accelerate traction with OEMs and Tier 1 suppliers in relation to components and drivetrain solutions supply. As the Company's market position has strengthened, it now plans to rationalise the Bus Repowering offering towards a limited number of platforms, with a view to improving gross margins. In due course, the Company expects revenues from bus repowering to plateau then reduce as it anticipates material demand growth for the supply of its higher margin components and powertrain solutions, which will be a key focus for the Group going forward;
- The Company is also progressing a number of cost-reduction initiatives and manufacturing improvement programmes. These include switching battery sourcing as well as other component level sourcing for inclusion in the Company's portfolio of motors and inverters. The Company expects significant cost reduction from batteries and overall cost reductions to benefit gross margins from the second half of the current financial year;
- The Company intends to continue to strengthen its commercial and product management team, particularly in the US and mainland Europe in order to further develop and closely manage key relationships with existing and potential OEM and Tier 1 partners;
- Following its first licensing agreement with Sona Comstar (a leading automotive industry supplier in India), in the prior financial year, the Company intends to explore further high margin licensing opportunities; and
- The Board is pleased to see buoyant demand across its range of products and solutions but recognises the need to focus aggressively on the most strategically important and financially rewarding of markets. As it does this the Company continues its advanced stage discussions to procure strategic investment but is also prudently assessing a range of other financing options.

Overall, the Company anticipates a very busy year and looks forward to updating shareholders of further progress.

Publication of Final Results

The Company expects to announce its final results for the year ended 31 May 2024 in September 2024 and will advise the market of the precise date in due course.

Commenting on the trading update, Ian Foley, CEO of Equipmake said:*"We are very pleased to have delivered a substantial increase in revenue in the year, a 60% increase on the previous year, highlighting both the increased awareness of, and demands for, our pioneering electrification technologies. Whilst we have clearly incurred more cost than expected in scaling volume in bus repowering, which is of course disappointing, we have collated significant learnings*

from this and are focussed on optimising operations, bringing in cost reductions and other efficiencies as we scale further. We have strengthened the senior team to help achieve this.

"It is testament to the quality of our expertise and attractiveness of our offerings that the Company has been able to initiate and progress multiple engagements with very large global OEMs and Tier 1 suppliers, which is very much our focus, and we look forward to seeing the more material fruits from these relationships in the future. I look forward to another year of growth and to updating the market in due course."

Adjusted EBITDA[1] is defined as earnings before interest, taxation, depreciation and amortisation, and before any exceptional costs or share based payments charges, if applicable.

****ENDS****

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About Equipmake

Equipmake isa UK-based industrial technology company specialising in the engineering, development and production of electrification products to meet the needs of the automotive and other sectors in support of the transition from fossil-fuelled to zero-emission powertrains.

Equipmake is a leader in high performance technologically advanced electric motors, inverters and complete zero-emission electric drivetrains and power electronic systems.Equipmake has developed a vertically integrated solution providing fully bespoke solutions to its customers. The Company is focussed on accelerating traction with OEM and Tier 1 suppliers in relation to higher margin component and drivetrain supply under long-term growth contracts.

Key differentiators of the Company offerings are its advanced technology and performance, reliability and adherence to ASIL-D[2] functional safety. Equipmake's advanced motor and inverter

technology, featuring ASIL-D compliance, are designed to customers' highest Functional Safety standards. With decades of experience in electric drivetrain integration and a dedicated prototype vehicle testing facility, Equipmake can significantly accelerate product development for customers.

[2]Automotive Safety Integrity Level ("ASIL") is a risk classification scheme defined by the ISO 26262 - Functional Safety for Road Vehicles standard and is a critical requirement for road vehicles. Of the four ASILs identified by the standard, ASIL-D dictates the highest integrity requirements on the product, which require exceptional rigour in their development.

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