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**3 November 2023**

**Surface Transforms plc**  
**("Surface Transforms" or the "Company")**

**Trading update**

Surface Transforms (AIM:SCE), manufacturer of carbon fibre reinforced ceramic brake disc materials provides the following trading update for the ten months to 31 October 2023 and revised outlook for the 2023 financial year.

Sales in the four months to 31 October 2023 were £3.0m bringing year-to-date sales for the period to 31 October 2023 to £6.3m. Whilst October sales of £1.0m was the best month of sales in 2023, it was lower than management had previously budgeted.

The previously reported technical problems have now been overcome. However, we continue to face some challenges in our production line, including single points of failure and a learning curve on the maintenance of our new equipment. These challenges, which are being resolved, are hindering us from creating sufficient capacity resilience and are constraining our production ramp up.

Consequently, the Company is prioritising new capacity on these single failure points whilst building up work-in-progress buffer stocks to mitigate the learning curves on key pieces of equipment unique to us. In parallel to these actions, revised operating processes and training has been accelerated to deal with improving maintenance of key pieces of equipment. The Company has also made significant changes to Operations Management, including but not limited to, the appointment of a new Chief Operating Officer, Stephen Easton.

**Outlook**

Output continues to increase, and as noted above October was the best sales month in 2023 but not yet at the desired rate. In the light of these challenges, the Company is now planning its cash needs and customer commitments based on a shallower ramp and now expects to reach the required rate of production in Q1 2024, later than previously forecast. As a result, the Company is reducing its sales guidance for the year to December 2023 to £8.6m. Overall, the outlook for 2024 to 2027 continues to remain very positive reflecting contracts in series production and recent new business announcements, with capacity being installed to fulfil these awards.

**Progress on installing new capacity**

The Company is continuing to install the capacity (capital expenditure of approximately £8m in 2023 and £9m in 2024) required to both meet increasing customer demand and providing the necessary resilience to overcome single points of failure. The Company remains on course to have capacity equivalent to £50m sales per year run rate in 2024 and for £75m sales run rate in 2025. Additionally the Company is well advanced with its plans for the next phase aimed at progressively providing £150m of sales capacity by 2027.

**Potential loan finance**

To finance its capital expenditure plans, the Company is in advanced discussions on a £13m capital expenditure loan that would be released as new capacity is expended in 2024 and 2025 but cannot be used for working capital purposes. The outcome of these discussions is not certain but is expected to conclude before the end of 2023. Success in securing the loan will enable the Company to finish installing the current capacity build to £75m as well as commencing the next stage of the capacity build towards £150m sales capacity; however there remains the need to finance the working capital of the significant sales increase over the next few years.

Kevin Johnson (Chief Executive Officer) said: *"These ongoing production issues are frustrating for all of us, particularly as the issues are not, in themselves, insurmountable. The revision to our plan for 2023 both reflects recent performance and provides certainty for our customers over the next six months. Our customers continue to understand the issues we are facing with the pace of the sales increase, as evidenced by the recent announcement of our biggest ever nomination."*

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*About Surface Transforms*

*Surface Transforms plc. (AIM:SCE) develops and produces carbon-ceramic material automotive brake discs. The Company is the UK's only manufacturer of carbon-ceramic brake discs, and only one of two mainstream carbon ceramic brake disc companies in the world, serving customers that include major OEMs in the global automotive markets.*

*The Company utilises its proprietary next generation Carbon Ceramic Technology to create lightweight brake discs for high-performance road and track applications for both internal combustion engine cars and electric vehicles. While competitor carbon-ceramic brake discs use discontinuous chopped carbon fibre, Surface Transforms interweaves continuous carbon fibre to form a 3D matrix, producing a stronger and more durable product with improved heat conductivity compared to competitor products; this reduces the brake system operating temperature, resulting in lighter and longer life components with superior brake performance. These benefits are in addition to the benefits of all carbon-ceramic brake discs vs. iron brake discs: weight savings of up to 70%, longer product life, consistent performance, reduced brake pad dust and corrosion free.*

*The Company holds the London Stock Exchange's Green Economy Mark.*

*For additional information please visit [www.surfacetransforms.com](http://www.surfacetransforms.com)*

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