RNS Number : 2961J
Hardide PLC
20 May 2025

The information contained within this announcement is deemed by Hardide to constitute inside information pursuant to Article 7 of EU Regulation 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended

Hardide plc

("Hardide", "the Group" or "the Company")

Interim Statement for the six months ended 31 March 2025

Financial Highlights

Six months ended 31 March:

£m	H1 2025	H1 2024	Change
Revenue	2.8	2.1	+0.7 (+32%)
Gross margin %	54%	41%	+13 ppts
EBITDA	0.4	(0.5)	+0.9
Operating profit / (loss)	-	(0.9)	+0.9
Free cash flow	0.3	(0.7) [1]	+1.0

Cash balance at 31 March	1.0	0.7	+0.3

Business Highlights

- A significant positive turnaround in performance, with strong H1 revenues up 32% versus H1 2024.
- Hardide has now become EBITDA profitable and cash generative, remaining on track to deliver on full year performance expectations.
- Our strategy of accelerating revenue growth, utilising significant available production capacity, is building traction under new management.
- The project to fully harmonise operational capabilities between our plants in the USA and UK will complete this month, providing greater customer service flexibility and positioning the Company well to changes in US tariff policies.
- H2 will see a roll out of additional pre-treatment service offerings which will be made available to existing and new customers. This new service offering will include; low phosphorus electroless nickel plating, passivation, electropolishing as well as laboratory services including corrosion salt spray testing and material testing and analysis.
- H2 revenues will continue to benefit from the significant new aerospace contract announced in December, together with numerous other engineering development projects from both new and existing customers.
- Hardide is well positioned to drive significant further profitable growth from the ongoing commercialisation of its unique surface treatment technology, leveraging its well invested operational platform and significant available capacity.

Andrew Magson, Non-Executive Chair commented:

"I am very pleased to report another period of encouraging commercial and financial progress. Whilst mindful of the uncertain global trading environment and Hardide's usual limited order book visibility, we are on track to deliver against our expectations of performance for the full year.

More broadly the Board remains focused on its strategy of building value by accelerating the growth in the business to utilise significant spare capacity over the next few years."

[1] *Free cash flow in H1 2024 excludes the net proceeds from the February equity fundraise*

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Hardide develops, manufactures and applies advanced technology tungsten carbide/tungsten metal matrix coatings to a wide range of engineering components. Its patented technology is unique in combining in one material, a mix of toughness and resistance to abrasion, erosion and corrosion; together with the ability to coat accurately interior surfaces and complex geometries. The material is proven to offer dramatic improvements in component life, particularly when applied to components that operate in very aggressive environments. This results in cost savings through reduced downtime and increased operational efficiency as well as a reduced carbon footprint. Customers include leading companies operating in the energy sectors, valve and pump manufacturing, industrial gas turbine, precision engineering and aerospace industries.

Performance Overview

We are pleased to report that Hardide has delivered a significant positive turnaround in performance over the last twelve months.

This has been achieved through revenue growth with both new and existing customers, improved gross margins, delivery of operational efficiencies and overhead reduction.

In the six months ended 31 March 2025 revenues grew by over 30% relative to the prior first half year to £2.8m (H1 2024: £2.1m). Gross margins improved from 41% to 54%. Together with a lower fixed cost base these factors enabled the Group to record an EBITDA positive performance for the period of £0.4m at an EBITDA margin of 14% (H1 2024: EBITDA loss of £0.5m).

The positive EBITDA performance enabled the Group to generate £0.3m of cash in the period, compared with a £0.7m cash outflow (excluding proceeds from fundraising) in the prior first half year.

Commercial review

The Group's revenues analysed by end use market were as follows:

	H1 25 (£m)	H1 24 (£m)	% change	H1 25 % total	H1 24 % total
Energy	1.2	0.8	+41%	44%	42%
Industrial	0.6	0.8	-27%	20%	36%
Aerospace	1.0	0.5	+113%	36%	22%
Total	**2.8**	**2.1**	**+32%**	**100%**	**100%**

The principal driver of revenue growth was demand from the aerospace sector, including initial development revenues from the new contract won in December 2024 to coat cargo door components for freight aircraft. Additional production readiness revenues and initial production revenues from this contract are expected in the second half year.

Industrial revenues were a little subdued, in part relating to short term inventory management by some customers around their financial year ends. These customers are now showing improved demand schedules for our second half year. Our enhanced product range launched a year ago, principally to coat consumable spares for thermal spray guns, continues to build steady traction and is contributing positively to overall sales.

Demand from the energy sector improved markedly on a year ago, in part a recovery from a weak H1 2024 when some customers were de-stocking, but also, encouragingly, from a variety of new application development projects with existing customers as well as new customers in new geographies.

Innovation, research and development

The four principal areas of innovation, research and development activity in the period were:

1. The commencement of a project in conjunction with a team of post graduate engineering students from Cranfield University to evaluate the potential for Hardide Coatings in carbon capture applications.

2. Continuing to work with a key customer in the power generation industry to further improve the performance of Hardide coatings when used to mitigate the effects of water droplet erosion on turbine blades. This follows the outcome of field trials of the components initially supplied in 2022 which, if successful, could lead to further sales in 2026.

3. Finalising the work, supported by grant funding, to assess the potential for use of Hardide Coatings in the production of green Hydrogen. Initial results have been encouraging and we are now seeking and engaging with commercial partners to take development to the next stage.

4. CVD process optimisation focused on masking material usage to enable the wider adoption of CVD in aerospace applications. Success would enable more cost effective CVD coatings solutions to be applied to the critical component area requiring protection. Grant funding is also being sought with an application submitted.

Financial review

Income statement

The Group's income statement for the period can be summarised as follows:

£m	**H1 2025**	**H1 2024**	**Change**
Revenue	**2.8**	**2.1**	**+0.7 (+32%)**
Gross margin	1.5	0.9	+0.6
Gross margin %	*54%*	*41%*	*+13 ppts*
Overheads	(1.1)	(1.4)	+0.3
EBITDA	**0.4**	**(0.5)**	**+0.9**
Depreciation	(0.4)	(0.4)	-
Operating profit / (loss)	**-**	**(0.9)**	**+0.9**
Financing costs	(0.1)	(0.1)	-
Loss before tax	**(0.1)**	**(1.0)**	**+0.9**

Commentary on the Group's positive revenue and gross margin performance can be found in the Performance Overview and the Commercial review sections above.

Overheads reduced from £1.4m in H1 2024 to £1.1m in H1 2025 due to management action taken to focus the cost base of the business in the second half of the last financial year. These actions are described further in our last Annual Report.

Better revenues and gross margins, combined with lower overheads enabled EBITDA to improve significantly to £0.4m compared with a £0.5m EBITDA loss in the prior first half year.

Non-cash depreciation and amortisation changes were similar to the prior first half at £0.4m, enabling the Group to report a small operating profit for the period, another stepping stone on the way to Hardide become fully profitable and earnings per share positive in the near term.

Cash flow

The Group's cash flow statement for the period is summarised below:

£m	**6m to 31.3.25**	**6m to 31.3.24**	**Change**
EBITDA	**0.4**	**(0.5)**	**0.9**
Working capital movement	0.2	0.2	-
Capital expenditure	-	(0.1)	0.1
Interest	(0.1)	(0.1)	-
Debt repayment	(0.2)	(0.2)	-
Equity fund raise	-	0.7	(0.7)
Net cash flow	**0.3**	**-**	**0.3**

Net cash flow	0.3	-	0.3

Net cash generated in the period was £0.3m enabling the group's cash balance to increase from £0.7m at 30 September 2024 to £1.0m at 31 March 2025. This compared with a cash outflow in the first half of the prior financial year of £0.7m, prior to the £0.7m net proceeds from the February 2024 equity fund raise.

Temporary working capital benefits in H1 2025 regarding initial engineering work associated with the new aerospace sector work won last December, is expected to reverse in H2 2025.

Balance sheet

The evolution of the Group's balance sheet since the last financial year end is summarised in the table below:

£m	**31 March 2025**	**30 September 2024**	**Change**
Property, plant & equipment	3.7	4.0	(0.3)
Right of use assets	1.4	1.5	(0.1)
Working capital	0.1	0.3	(0.2)
Capital invested	**5.2**	**5.8**	**(0.6)**
Cash	1.0	0.7	0.3
Loans	(0.6)	(0.7)	0.1
Lease liabilities	(2.0)	(2.1)	0.1
Shareholders' funds	**3.6**	**3.7**	**(0.1)**

Shareholders' funds were largely maintained in the period at £3.6m, reflecting the substantially reduced loss after tax.

The Group's net indebtedness (including IFRS16 lease liabilities) at 31 March 2025 was £1.6m (30 September 2024: £2.1m). Of this, £0.1m of the loans and £0.1m of the lease liabilities are repayable in the six-month period to 30 September 2025 and a further £0.3m in the twelve-month period to 31 March 2026.

Global trading environment and tariffs

Hardide's business model is to coat component parts owned by its customers. Hardide's selling prices are set on an ex-works basis and the business does not therefore bear the financial risks of transporting parts to and from our facilities, across international borders, or funding any applicable tariffs.

Hardide further benefits from having factories in both the UK and the USA, and later this month will complete a strategic project to fully harmonise the operational capabilities of its US plant with that in the UK. Therefore, whilst around 5% of group revenues destined for the US market has in the past been processed in the UK, customers will be able to choose the most beneficial geographic option to them in the future.

Work sourced from and/or destined for Europe and the Rest of the World does not need to be processed by Hardide in the USA.

Therefore, whilst the Board believes that the direct impact on Hardide of the changes to US tariff policies announced in recent months will be insignificant, the greater risk to the business is the persisting volatile and uncertain geopolitical and economic environment, and the potential impact of this on global demand for trade.

Financing

The interim financial statements have been prepared on a going concern basis, with no material uncertainties to this assessment identified from the Board's review of the Group's latest financial plans and sensitivity analyses. Prior to mitigating actions on costs, capital expenditure and working capital that could be taken, if necessary, our scenario modelling indicates that the Group would begin to erode cash should revenues fall by more than circa 10% from current levels. Should revenues reduce by more than circa 20% from current levels over a sustained period of time, then further external funding might be needed.

Accelerating revenue growth

The priority of the Board and management team continues to be to accelerate revenue growth and to capitalise on Hardide's substantial available capacity as soon as possible over the coming years.

For the first time a quantified roadmap now exists, updated monthly, that shows on a line by line basis how we might broadly double current revenues and move towards fully utilising our operational capacity, estimated to be in the range £10-12m, over the next few years. The "hopper" of potential opportunities still needs to be filled out, so risks of work not being secured or being delayed is reduced and overall chances of success are increased, but nonetheless this marks a significant step forward.

As we grow the business, we intend to maintain the margin and cost disciplines we have demonstrated over the last year.

We expect to be able to fund revenue growth using internally generated cash, as the Group's ratio of profit and cash generation from incremental sales is significantly higher than its ratio of working capital to sales. We also believe capital expenditure needs will continue to be modest.

We have two broad strategies to drive acceleration in revenue growth:

1. Expansion of Hardide's existing business of supplying coatings as a service. Traditionally, this has been Hardide's business model. This includes:

    - Selling developed and approved CVD coatings to our customers on existing and new applications within our traditional markets. Over the last year, key account management has become far more proactive and effective, resulting in several new application trials underway with customers we have worked with for many years. Business development activity has also been more focused for coating as a service opportunity. In the period under review a new oil and gas OEM located in the Middle East, a new geographical region for us, is extensively testing our existing CVD coatings on specific applications operating in similar operating environments where we have existing success;

    - Further development of our enhanced products range launched a year ago which involves coating consumable spare parts sold direct to end use customers;

    - Developing ancillary sales, such as offering a wider variety of pre and post treatment services, an example being low phosphorus electroless nickel plating (due to come on stream in May), and laboratory analysis services to external customers in order to better utilise Hardide's asset base and skills that exist in the business;

    - Modest investment in our Martinsville, USA facility, to harmonise its operational capabilities with our facility in the UK. This will give customers choice on sourcing, help mitigate tariffs and potentially lower their delivered costs, thereby enhancing the value proposition. This facility is expected to come on stream by the end of May.

2. Development of a Bespoke Solutions business. This business stream has been formed this year and is focused on solving unique customer problems with a bespoke specification sales approach, collaborating closely together with customers and thereby creating differentiated solutions with high barriers to entry. This includes:

    - A sophisticated sales-led digital marketing programme designed to expand our network of key specifying engineers in search of solutions, with focus on areas where Hardide coatings are truly differentiated from the competition, i.e. challenging operating environments, complex shapes and non-line of sight coating applications;
    - An increase in engineering, testing and tooling sales as these solutions are developed, building another income stream to support production sales;

    - A sector agnostic approach, enabling us to both grow and diversify our revenue streams. As an example, we achieved our first sales to the semiconductor sector in the period.

Outlook

Whilst mindful of both the uncertain global trading environment and Hardide's limited order book visibility, based on year to date performance, the ongoing development of the business and latest customer demand schedules, the Board continues to expect Hardide to achieve its expectations for full year financial performance.

More broadly, the Board believes that Hardide is increasingly well positioned to drive significant further profitable growth from the ongoing commercialisation of its unique surface treatment technology, leveraging its well invested operational platform and significant available capacity.

Andrew Magson
Non-Executive Chair

Matt Hamblin
CEO

20 May 2025

Income Statement

£ 000	**6 months to 31 March 2025 (unaudited)**	**6 months to 31 March 2024 (unaudited)**	**Year to 30 September 2024 (audited)**
Revenue	2,801	2,116	4,730
Cost of Sales	(1,302)	(1,248)	(2,454)
Gross profit	**1,499**	**868**	**2,276**
Administrative expenses	(1,109)	(1,350)	(2,244)
Adjusted EBITDA before restructuring costs	390	(482)	32
Restructuring costs	-	-	(399)
EBITDA	390	(482)	(367)
Depreciation and amortisation	(385)	(400)	(823)
Operating profit / (loss)	**5**	**(882)**	**(1,190)**
Finance income	3	2	4
Finance costs	(73)	(77)	(157)
Loss on ordinary activities before tax	**(65)**	**(957)**	**(1,343)**
Tax	-	-	23
Loss on ordinary activities after tax	**(65)**	**(957)**	**(1,320)**

Consolidated Statement of Changes in Equity

£ 000	**6 months to 31 March 2025 (unaudited)**	**6 months to 31 March 2024 (unaudited)**	**Year to 30 September 2024 (audited)**
Total equity at start of period	**3,659**	**4,292**	**4,292**
Loss for the period	**(65)**	**(957)**	(1,320)
Issue of new shares	**20**	**880**	880
Share issue costs	**-**	**(125)**	(152)
Exchange differences on translation of foreign operation	**19**	**(29)**	(71)
Share options	**17**	**-**	30
Total equity at end of period	**3,650**	**4,061**	**3,659**

Consolidated Statement of Financial Position

£ 000	**31 March 2025 (unaudited)**	**31 March 2024 (unaudited)**	**30 September 2024 (audited)**
Assets			
Non-current assets			
Intangible assets	8	6	9
Property, plant & equipment	3,754	4,318	3,979
Right of Use Assets	1,422	1,595	1,526
Total non-current assets	**5,184**	**5,919**	**5,514**
Current assets			
Inventories	186	215	167
Trade and other receivables	627	668	980
Other current financial assets	312	345	391
Cash and cash equivalents	992	732	700
Total current assets	**2,117**	**1,960**	**2,238**
Total assets	**7,301**	**7,879**	**7,752**
Liabilities			
Current liabilities			
Trade and other payables	959	882	795
Financial liabilities - loans	198	257	235
Financial liabilities - deferred income	17	17	393
Financial liabilities - leases	199	185	216
Total current liabilities	**1,373**	**1,341**	**1,639**
Net current assets	**744**	**619**	**599**
Non-current liabilities			
Financial liabilities - loans	391	374	479
Financial liabilities - deferred income	43	61	50
Financial liabilities - leases	1,794	1,992	1,875
Provision for dilapidations	50	50	50
Total non-current liabilities	**2,278**	**2,477**	**2,454**
Total liabilities	**3,651**	**3,818**	**4,093**
Net assets	**3,650**	**4,061**	**3,659**
Equity attributable to equity holders of the parent			
Share capital	3,152	4,845	4,845
Share premium	19,194	19,215	19,188
Capital redemption reserve	1,707	-	-
Retained earnings	(20,703)	(20,275)	(20,638)
Share-based payment reserve	624	577	607
Translation reserve	(324)	(301)	(343)
Total equity	**3,650**	**4,061**	**3,659**

Following the authority given at the AGM on 18 March, 189,642,236 deferred shares, valued in the statement of financial position at £1,706,780, were repurchased and cancelled for aggregate consideration of 1p, with the balance transferred to the capital redemption reserve.

Consolidated Statement of Cash Flows

£ 000	6 months to 31 March 2025 (unaudited)	6 months to 31 March 2024 (unaudited)	Year to 30 September 2024 (audited)
Cash flows from operating activities			
Operating profit / (loss)	5	(882)	(1,190)
Depreciation - owned assets	273	310	605
Depreciation - right of use assets	112	90	218
Share option charge	17	-	30
(Increase) / decrease in inventories	(19)	21	69
Decrease / (increase) in receivables	383	64	(270)
(Decrease) / increase in payables	(213)	36	269
Cash generated from / (used in) operations	**558**	**(361)**	**(269)**
Finance income	3	2	4
Finance costs	(73)	(77)	(157)
Tax received	49	-	-
Net cash generated from / (used in) operating activities	**537**	**(436)**	**(422)**
Cash flows from investing activities			
Purchase of intangibles, property, plant, equipment	(8)	(102)	(64)
Net cash used in investing activities	**(8)**	**(102)**	**(64)**
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	-	755	728
New loans raised	-	-	235
Loans repaid	(141)	(120)	(260)
Repayment of leases	(117)	(111)	(269)
Net cash (used in) / generated from financing activities	**(258)**	**524**	**434**
Effect of exchange rate fluctuations	21	6	12
Net increase / (decrease) in cash and cash equivalents	**292**	**(8)**	**(40)**
Cash and cash equivalents at the beginning of the period	700	740	740
Cash and cash equivalents at the end of the period	992	732	700

Notes

1. Basis of preparation of financial information

While the financial information included in these interim financial results for the half year ended 31 March 2025 have been prepared in accordance with the recognition and measurement principles of international accounting standards in conformity with the requirements of Companies Act 2006, this announcement does not contain sufficient information to comply with IFRS's.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 30 September 2024, which have been prepared in accordance with UK adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under these standards.

The financial information set out above does not constitute the Company's statutory accounts as defined by section 434 of the UK Companies Act 2006. A copy of the statutory accounts for Hardide plc for the year ended 30 September 2024 has been delivered to the Registrar of Companies. The auditors have reported on those accounts; their reports were unqualified. Their reports for the year ended 30 September 2024 did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

2. EBITDA

Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") is a key financial performance indicator used by management to assess the operational performance of the Group. This may be reconciled to the Operating Loss as reported in the Income Statement as follows:

£ 000	**6 months to 31 March 2025 (unaudited)**	**6 months to 31 March 2024 (unaudited)**	**Year to 30 September 2024 (audited)**
Operating profit / (loss)	5	(882)	(1,190)
Add back non-cash operating costs:			
Depreciation and amortisation of owned assets	273	310	605
Depreciation and amortisation of right of use assets	112	90	218
EBITDA	**390**	**(482)**	**(367)**
Restructuring costs	-	-	399
Adjusted EBITDA	**390**	**(482)**	**32**

3. Segmental information

Under IFRS8, operating segments are defined as a component of the entity (a) that engages in business activities from which it may earn revenues and incur expenses (b) whose operating results are regularly reviewed and (c) for which discrete financial information is available. The Group management is organised into UK and USA operation and Corporate central functions, and this factor identifies the Group's reportable segments.

6 months ended 31 March 2025	UK operation £000	US operation £000	Corporate £000	Total £000
External revenue	2,313	488	-	2,801
Reportable segment operating profit / (loss)	**519**	**(40)**	**(474)**	**5**
Segment assets	5,588	1,549	164	7,301
Segment liabilities	2,292	1,165	194	3,651

6 months ended 31 March 2024	UK operation £000	US operation £000	Corporate £000	Total £000
External revenue	1,394	722	-	2,116
Reportable segment operating profit / (loss)	**(249)**	**7**	**(640)**	**(882)**
Segment assets	5,366	1,955	558	7,879
Segment liabilities	2,378	1,088	352	3,818

12 months ended 30 September 2024	UK operation £000	US operation £000	Corporate £000	Total £000
External revenue	3,129	1,601	-	4,730
Reportable segment operating profit / (loss)	**(442)**	**296**	**(1,044)**	**(1,190)**
Segment assets	5,779	1,754	219	7,752
Segment liabilities	2,686	1,188	219	4,093

The Group currently has a single business product, so no secondary analysis is presented. Revenue from external customers is attributed according to their country of domicile. Turnover by geographical destination is as follows:

	UK £000	Europe £000	N America £000	Rest of World £000	Total £000
External sales					
6 months to 31 March 2025	**1,019**	**712**	**455**	**615**	**2,801**
6 months to 31 March 2024	1,004	97	987	28	2,116
12 months to 30 September 2024	2,096	159	2,033	442	4,730

3. Earnings per share

	31 March 2025 £000	31 March 2024 £000	30 September 2024 £000
(Loss) on ordinary activities after tax	**(65)**	(957)	(1,320)
Basic earnings per ordinary share:			
Weighted average number of ordinary shares in issue	**78,642,936**	61,045,033	70,849,596
Earnings per share	**(0.1)p**	(1.6)p	(1.9)p

As net losses were recorded in each of the respective periods, the potentially dilutive share options are anti-dilutive for the purposes of the loss per share calculation and their effect is therefore not considered.

4. Going concern

The interim financial statements have been prepared on a going concern basis, with no material uncertainties to this assessment identified from the Board's review of the Group's latest financial plans and sensitivity analyses. Prior to mitigating actions on costs, capital expenditure and working capital that could be taken, if necessary, our scenario modelling indicates that the Group would begin to erode cash should revenues fall by more than circa 10% from current levels. Should revenues reduce by more than circa 20% from current levels over a sustained period of time, then further external funding might be needed.

5. Debt maturity

Loans

	31 March 2025 £000	31 March 2024 £000	30 September 2024 £000
Total loans	**589**	631	714
Maturity analysis:			
Within 1 year	**198**	257	235
1 to 2 years	**134**	169	169
2 to 3 years	**87**	104	103
3 to 4 years	**82**	54	86
4 to 5 years	**39**	47	54
5+ years	**49**	-	67

Lease liabilities

	31 March 2025 £000	31 March 2024 £000	30 September 2024 £000
Total lease liabilities	**1,993**	2,177	2,091
Maturity analysis:			
Within 1 year	**199**	185	216
1 to 2 years	**196**	193	193
2 to 3 years	**201**	195	195
3 to 4 years	**213**	200	205
4 to 5 years	**226**	213	218
5+ years	**958**	1,191	1,064

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