

Key performance indicators

Our progress in numbers

We monitor progress against the delivery of our strategic goals using financial key performance indicators ('KPIs').

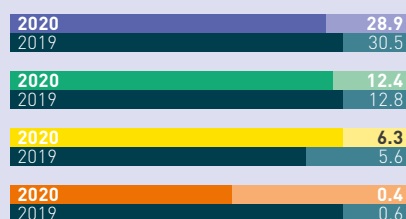
Revenue

Continuing operations

£48.0m

Total revenue for the Group was £48.0 million, down £1.4 million year-on-year (2019: £49.4 million). Revenue declined 3% year-on-year.

Revenue by sector £m



Declining EPS revenue due to COVID (3.0 million) in the industrial sector. WFG and Labels sectors increased throughout the year with full year revenue up 13%. Royalties from the single remaining licensee declined and will continue to decline in both 2021/22 before ceasing.

- Industrial
- Packaging
- Graphic Arts
- Royalties

Revenue by region £m



The significant reduction of revenue in Americas is primarily due to the sales decline in the EPS business. Performance in Asia, and China in particular, was successful with growth of £2.6 million in Printheads driven by re-engagement of Chinese Ceramic customers who began to adopt the Xaar 2001 and have now transitioned to the newly launched Xaar 2002 for their new printer builds. EMEA was slightly lower, but we have seen a promising upward trend in H2 2020 driven by C&M and Labels sectors.

- EMEA
- Asia
- Americas

Profit

Gross margin – Continuing operations %

27%



The increase in the gross profit for the Group can be attributed to the performance of the Printhead business. This was driven by the operational leverage in the business with increased product throughput absorbing greater costs in 2020 (2019: 25%).

Loss before tax £m – Continuing operations

(£4.3m)



Loss before tax from continuing operations represents operating loss after investment income and finance costs (2019: £10.9 million loss).

Adjusted loss before tax £m – Continuing operations

(£3.9m)



Adjusted loss before tax from continuing operations represents the loss before tax adjusted for recurring and non-recurring items. Reconciliation of adjusted financial measures is provided in note 4 (page 126) (2019: loss £8.0 million).

Net cash

Cash and cash equivalents comprise cash at bank (£18.0 million) and short-term highly liquid investments with an original maturity of three months or less. Net cash incl. Treasury deposits of £0.1 million.

Cash & Treasury deposits £m

£18.1m

| | |
|------|------|
| 2020 | 18.1 |
| 2019 | 25.3 |

2019: £25.3 million comprising cash £24.8 million and Treasury deposits of £0.5 million (including £9.1 million 3D cash).

Net cash inflow from continuing operations £m

£7.1m

| | |
|------|-----|
| 2020 | 7.1 |
| 2019 | 8.4 |

Net cash inflow (incl Treasury deposits) from continuing operations was £7.1 million as consequence of improved aEBITDA performance and further improvements in working capital (2019: £8.4 million).

Gross R&D investment £m

£4.5m

| | |
|------|-----|
| 2020 | 4.5 |
| 2019 | 3.1 |

Gross R&D investment (continuing operations) reflects the investment in the ImagineX platform (£4.5 million). 2019 investment excludes amortisation of Xaar 3D development costs and impairment of Thin Film (2019 restated: £3.1 million).

Adjusted diluted earnings / (loss) per share – continuing operations

(5.2p)

| | |
|------|---------|
| 2020 | (5.2p) |
| 2019 | (15.1p) |

Adjusted EPS – Continuing operations is considered to provide a fairer representation of the Group's trading performance year on year. (2019: (15.1p). EPS performance is one of the criteria for the new LTIP.

See more on page 126 and page 135

Following the appointment of a new leadership team and implementation of a new strategy for profitable growth, an assessment of our KPIs will be undertaken to ensure we utilise the best metrics to monitor our performance.

Alongside this, a new remuneration policy will be designed to ensure alignment between the interests of the Executive Directors and the senior management team with the core aims of the new strategy, as well as to align management with the interests of shareholders in the reward for improved performance against the market.

As a result, a new Long-Term Incentive Plan ('LTIP') was introduced in 2020. Metrics will be set to reflect the key challenges seen across the business and specific units for that year.

See the Directors' Remuneration Report on page 78

Xaar uses adjusted figures as key performance measures in addition to those reported under IFRS, as the Board believes these measures enable management and stakeholders to better assess the underlying trading performance of the businesses as they exclude certain items that are considered to be significant in nature and/or quantum – they exclude other operating income, share-based payments, intra-group foreign exchange movements, gain / loss on financial instruments, restructuring and R&D tax credits, that management consider to have a distorting effect on the underlying results of the Group.

The alternative performance measures ('APMs') are consistent with how the businesses' performance is planned and reported within the internal management reporting to the Board and executive management. Some of these measures are used for the purpose of setting remuneration targets.

See more on page 83 and page 126

2019 comparatives are based on continuing operations (where relevant) and are therefore restated to incorporate adjustments arising from financial instruments and discontinued operations.

