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# Leading the way with our strong partnerships

**In my first report as Chairman two years ago, I spoke of my confidence in the new leadership team and in our ability to turn the business around after the challenges encountered in 2019. At the end of 2021 and following a period of unprecedented uncertainty surrounding the COVID-19 pandemic, I am pleased to report good progress continues to be made.**

Our fundamental focus has been on Xaar's core competence in design and manufacture of world leading printheads, whilst rebuilding and strengthening all areas of the business to better serve our customers and deliver consistent and reliable business performance.

There has been a realignment of our go-to-market approach with a clear focus on the value chain and our customers, a strengthening of our senior leadership and functional teams, a revitalisation of our brand and corporate identity and, importantly, a focus on the technical and competitive advantages of the Xaar bulk piezo product range.

The introduction of our new ImagineX bulk piezo platform has created a pipeline of new product developments with the first two products, Nitrox and Irix, launched during 2021.

The Board is pleased with the progress that the management team has made in re-energising the business and would also like to thank our teams worldwide for their commitment and adaptability, particularly across our supply chain, during this period of uncertainty.

### Strategic progress

We have continued to embed our strategy across the Group and through our people: a key enabler of the strong performance in 2021. Our focus on customers and a product roadmap that reflects current and potential customer needs has increased the quality and responsiveness of the business, and this means that we are well placed for further performance improvements. We believe a significant opportunity exists in market sectors and applications where Xaar technology provides commercial and technical performance advantages and that is our focus.

During the year, our ability to serve customers was further advanced through the acquisition of FFEI, adding both capability and capacity whilst enabling a more vertically integrated approach to assisting customers with the adoption of digital print technology. In November 2021 we completed the sale of our stake in Xaar 3D to our partner Stratasys, further strengthening our balance sheet whilst retaining a strong commercial partner in the 3D market.

We recently (March 2022) strengthened the business further with the acquisition of Megnajet, a leader in design and manufacture of ink delivery systems. Megnajet adds complementary skills to Xaar's core competence as we build the capability to provide customers with a more complete package of integration tools and accelerate the adoption of Xaar printhead technology. We welcome the Megnajet team to the Group.

### Financial results

In what has proven to be another challenging year for the global economy, the Group has delivered sales growth of 23% and moved back into profit in the second half of the year. Actions have been taken to build management and organisational strength, while cost control and careful cash management demonstrate our clear focus on performance and a return to profit.

The Printhead business has made good progress both commercially and operationally. Sales volumes have grown and a programme to improve efficiency and consistency of operational performance is progressing well. A specific area of focus has been our supply chain and our response to the challenges caused by the pandemic. An early recognition of the potential constraints on supply and logistics enabled us to secure materials to meet expected production requirements, and to proactively adapt product designs to accommodate alternative components.

## Strategic and operational highlights

- + Re-alignment of our go-to-market approach has strengthened customer engagement
- + Strong performance for the Printhead business with consistent wins of new customers and projects and renewed focus on markets where products have a competitive advantage
- + Ongoing delivery of product roadmap with two successful product launches from our ImagineX platform
- + Investment in working capital has allowed Xaar to successfully mitigate supply chain constraints and secure ability to deliver on customer demand
- + Further operational progress made in Engineered Printing Solutions (EPS), delivering strong revenue growth
- + Relocation of Cambridge office during 2021 will result in £0.7 million annualised cost saving
- + Acquisition of Megnajet to provide customers with a more complete package of integration tools
- + Successful integration of FFEI acquisition expanding business capability and vertically integrated product offering
- + Completion of divestment of Xaar 3D investment
- + Launch of Sustainability roadmap with clear strategy to reach 'net zero' by 2030.

These actions have increased business resilience and will help us maintain uninterrupted supply to customers during 2022.

After encountering weaker demand and challenges in EPS, during the first half of the year, the appointment of new leadership and a realignment of strategy led to a much stronger second half of the year with sales 25% higher than in the first half. While performance for the year as a whole was impacted by previously announced non-cash adjustments relating to slow moving and obsolete inventory, there is good momentum in the order book and operational performance is improving in EPS.

We are pleased with the progress made at FFEI. Having only joined the Group in July 2021, integration of the technical teams is largely complete, and performance is in line with our expectations.

Good underlying cash flow and receipts from the sale of our stake in Xaar 3D in November 2021 enabled the Group to close the year with a robust balance sheet. Net cash of £25.1 million provides a platform for further investment and further complementary acquisitions.

The Board has not declared a dividend in 2021 as we believe that prioritising cash for continued investment in the business at this stage of our rebuilding programme will deliver more compelling returns for shareholders in the medium term.

### Environment

As a Board we consider our responsibility to the environment and society in general as an integral part of running a successful business. We are mindful of, and are committed to, the need to be good custodians of our natural resources for future generations. The business has established an ESG Committee with oversight and input from the Board and

has committed to a Sustainability Roadmap including ways in which we will strive to provide solutions and products for our customers that are cleaner and healthier. We are in the process of defining and setting meaningful ESG targets alongside plans of how we will achieve those targets in a specific time frame. Our goal is for the business to be 'Net Zero by 2030'.

### People

For Xaar to be successful we need the energy, commitment and engagement of all our employees. Periods of 'lockdown', remote working and constraints on how people interact have all presented challenges, but I have great admiration for the way in which our people have overcome these challenges and worked tirelessly developing a strong 'can-do' culture.

We entered the year with optimism and a renewed sense of purpose but of course still uncertain as to the wider economic environment and extent of the challenges that would present. Despite this backdrop we have pushed on with the necessary changes to the business and it is to the great credit of the whole team at Xaar, in all businesses and in the many countries around the world where colleagues live and work, that they have adapted, committed to and succeeded in delivering both solid financial results and a platform for continued growth. On behalf of the Board, I thank them and congratulate them on the progress made.

### Summary

The Board is optimistic following our progress this year and is confident in the future prospects of the Group.



**Andrew Herbert**  
Chairman  
29 March 2022

## Our EPIICC values



### Everything with Passion

We care about our technology, our products, our partners and each other.

### Innovative

We always look for new, better solutions.

### Integrity

We deliver on our promises.

### Creative

We push the boundaries of what's possible.

### Collaborative

We work together as a team and with our clients.

### Our values are the driving force of our culture and are at the heart of everything that we do.

We have a cross functional team that has been working on ways to further embed our values throughout the Company, and we have also rolled the values out across all the Group. The team put together a video which demonstrates the part that our values play in our lives, both at work and in our home lives.

 [Read more about our Company culture on page 9](#)



 [Watch our video at https://youtu.be/4rXmXMLEpgg](https://youtu.be/4rXmXMLEpgg)