
STEELHEAD COMPOSITES

[Opportunity Update](#)
Series A-Extension Q4 2022

Steelhead Composites is an ISO 9001, ISO 14001 and AS 9100 company

SNAPSHOT OF STEELHEAD OPPORTUNITY

- Design, engineering, testing & production of certified, hydrogen storage systems
- Sustainable, scalable manufacturing in Golden Colorado
- Highly computer controlled, fully digital efficient and nimble shop floor
- Unique global company with consolidated in-house plastic (type 4) and metallic (type 3) liner manufacturing
- Massive market opportunity with \$1B being invested in hydrogen every week
- Every hydrogen installation needs a hydrogen storage solution, and Steelhead is a go-to provider
- Compelling Financials
 - Strong revenue growth 2018-2021, now pivoting to Hydrogen storage projects with 10X+ potential
 - Sales are limited by capacity and certifications, not limited by market opportunity
 - Sustainable gross margins north of 50%
- Looking for an A-round extension in Q4 2022 to capital to expand portfolio of hydrogen storage systems and capabilities, setting up for a strong valuation uplift at Series B in Q2 of 2023

HYDROGEN: THE FRONT-EDGE OF AN ENERGY TRANSITION

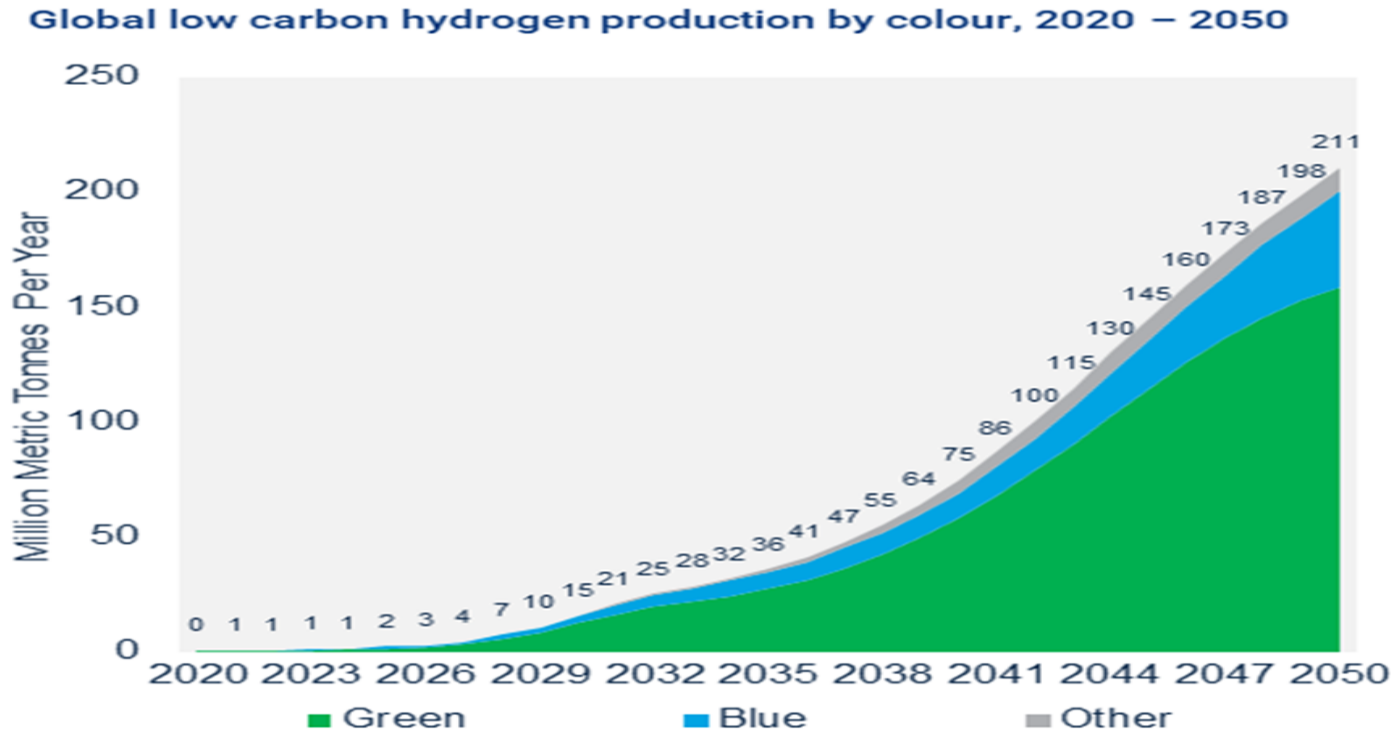


“Calling it a once-in-a-lifetime opportunity, Goldman Sachs estimates the addressable market could be worth €10 trillion (\$11.7 trillion) by 2050, split between Asia, the U.S. and Europe.”

Barrons 9/29/2020

**(that is a 58% CAGR)*

Global Multi \$Bn Market Opportunity in Compressed H2 Storage



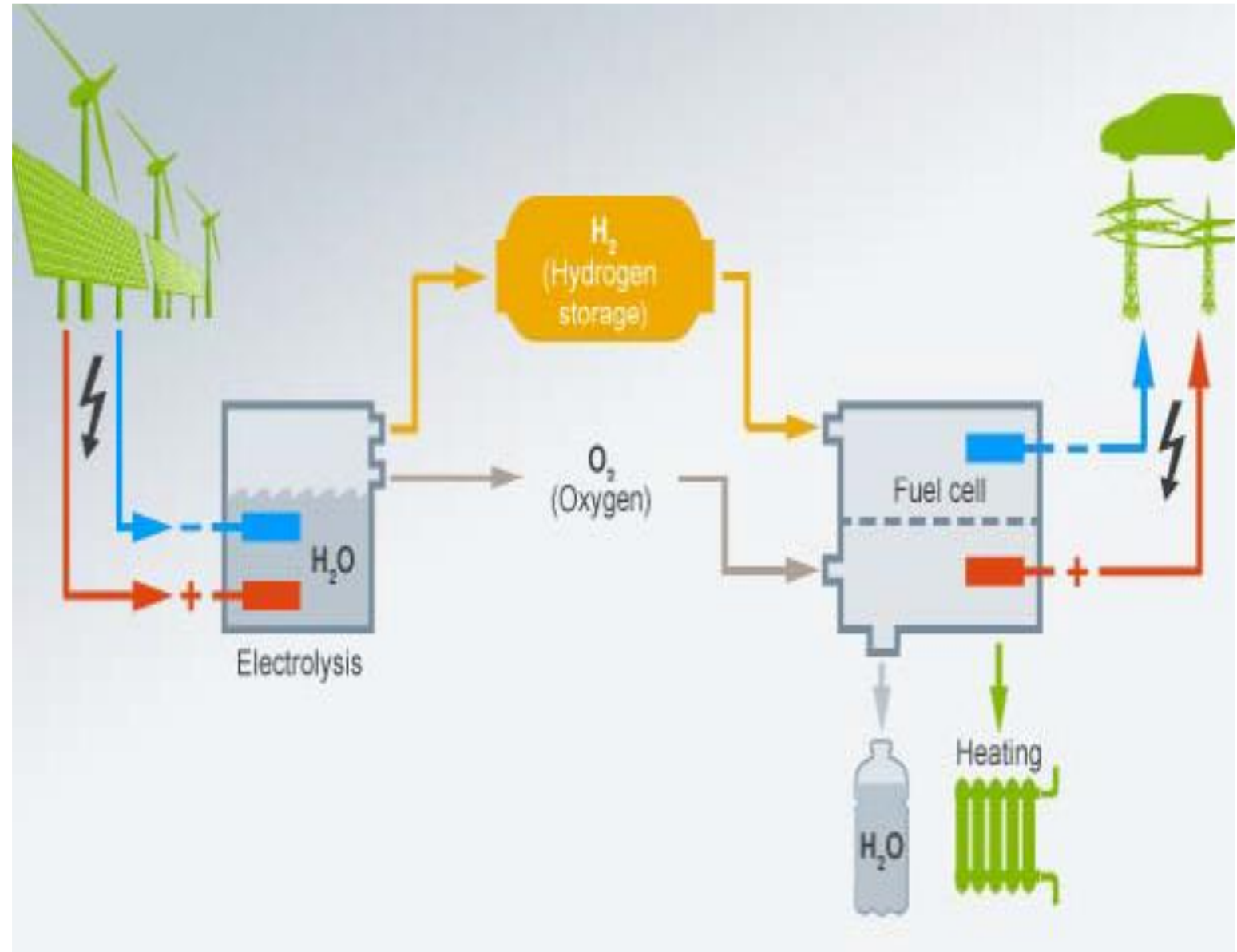
Source: Wood Mackenzie

Total Addressable Market	2023	2024	2025	2026
<i>H2 Production in MMT</i>	1,000,000	1,000,000	2,000,000	3,000,000
<i>% supply requiring storage</i>	0.5	0.8	1.0	1.3
<i>Storage needed / Kg</i>	5,000,000	7,500,000	20,000,000	39,000,000
<i>% which is compressed storage / kg</i>	2,000,000	3,000,000	8,000,000	15,600,000
<i>Target cost of storage \$/kg</i>	1,500	1,400	1,300	1,200
TAM / \$	\$ 3,000,000,000	\$ 4,200,000,000	\$ 10,400,000,000	\$ 18,720,000,000

Renewables to Green H₂, and the Distributed Grid

Excess renewable energy is available as more solar/wind are added to the grid – the grid is not great for energy storage

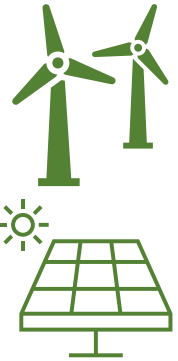
Hydrogen can be made inexpensively as a curtailment strategy, compressed and transported to remote locations with fuel cells



Stationary (Utility Scale) Hydrogen Example



Intermittent Renewable Energy



Curtailed Excess Energy



Electrolyzer
Water -> H₂

Compressor

1-ton H₂ Cube shown = 120 million BTU

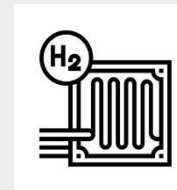


1-ton H₂ Cube shown = 20 MWh

Gas Turbine



or



Fuel Cell

Zero Carbon

Dispatchable
Energy

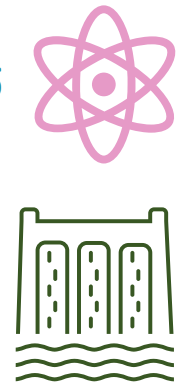


Excess Baseload Energy



Steelhead Green H₂ Onsite Storage

Baseload Energy



Steelhead Composites: Opportunity & Status



Steelhead is Emerging as a Global Leader in Hydrogen Storage Systems– the Future is **NOW**

- Hydrogen continues to gain traction as a preferred vector in the energy transition, and Steelhead is a leader in the midstream of the hydrogen economy – the storage, distribution and transmission of this zero emission energy carrier
- Multiple customers for hydrogen systems
- First major utility company/EPC order win July 2022: \$14M opportunity
- JV partnering interests solidifying with first orders
- Our unique modular scalability allows customers to prototype hydrogen solutions, giving Steelhead early design wins
- **Steelhead's IP on hydrogen storage is industry-unique, and it makes us the most versatile go-to partner**
- Recent orders create an urgency to immediately accelerate our abilities to capture these opportunities with investment in:
 - **product development**
 - **product certifications**
 - **system engineering talent**
 - **capacity improvements**
- Steelhead is doing this A-extension now to accelerate our vision of being a higher value-add supplier of smart hydrogen storage solutions, at the engineered-system level – for customers on our doorstep *today*



Financial Model Summary – Burn Rate Analysis



BurnRate Analysis																					
\$000's																					
Item Description	Total 22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Total 23	1Q24	2Q24	3Q24	4Q24	Total 24	Total 25	Total 26
Revenue	4,084	550	550	1,875	725	725	1,225	1,575	975	1,475	1,150	1,300	2,050	14,175	8,175	11,675	13,175	13,775	46,800	74,700	104,500
Cost of Goods Sold (Variable)	(1,153)	(151)	(151)	(596)	(202)	(202)	(370)	(487)	(286)	(454)	(336)	(386)	(638)	(4,259)	(2,778)	(4,066)	(4,618)	(4,839)	(16,302)	(26,268)	(39,203)
Gross Contribution Margin	2,931	399	399	1,279	523	523	855	1,088	689	1,021	814	914	1,412	9,916	5,397	7,609	8,557	8,936	30,498	48,432	65,297
Gross CM % (Excl. Fixed Costs)	72%	73%	73%	68%	72%	72%	70%	69%	71%	69%	71%	70%	69%	70%	66%	65%	65%	65%	65%	65%	62%
Overhead	(535)	(158)	(174)	(191)	(242)	(242)	(253)	(298)	(298)	(298)	(298)	(298)	(299)	(3,050)	(675)	(675)	(675)	(675)	(2,700)	(5,784)	(5,431)
Gross Profit %	59%	44%	41%	58%	39%	39%	49%	50%	40%	49%	45%	47%	54%	48%	58%	59%	60%	60%	59%	57%	57%
Operating Contribution Margin	2,931	399	399	1,279	523	523	855	1,088	689	1,021	814	914	1,412	9,916	5,397	7,609	8,557	8,936	30,498	48,432	65,297
Op CM % (Excludes Fixed Costs)	72%	73%	73%	68%	72%	72%	70%	69%	71%	69%	71%	70%	69%	70%	66%	65%	65%	65%	65%	65%	62%
Operating Expenses (Fixed)	(6,390)	(889)	(1,639)	(1,489)	(1,011)	(1,861)	(1,511)	(1,192)	(1,267)	(1,567)	(1,217)	(1,217)	(1,067)	(15,927)	(3,574)	(3,524)	(4,136)	(4,136)	(15,370)	(16,942)	(16,940)
Operating Period Expenses	(6,925)	(1,047)	(1,813)	(1,680)	(1,253)	(2,103)	(1,764)	(1,490)	(1,565)	(1,865)	(1,515)	(1,515)	(1,366)	(18,977)	(4,249)	(4,199)	(4,811)	(4,811)	(18,070)	(22,726)	(22,371)
Operating Period Cash Costs	(6,925)	(1,047)	(1,813)	(1,680)	(1,253)	(2,103)	(1,764)	(1,480)	(1,555)	(1,855)	(1,505)	(1,505)	(1,355)	(18,916)	(4,215)	(4,165)	(4,777)	(4,777)	(17,934)	(22,590)	(22,235)
Pre-Tax Profit %													1%		13%	29%	28%	30%	26%	34%	41%
EBITDA Burn Rate	(3,994)	(648)	(1,415)	(401)	(730)	(1,580)	(908)	(392)	(866)	(834)	(691)	(592)	57	(8,999)	1,182	3,444	3,780	4,159	12,563	25,842	43,062
Total Burn Rate	(5,379)	(3,374)	(1,604)	(150)	(1,274)	(1,785)	(1,353)	(2,350)	(1,404)	(1,005)	(1,142)	(876)	(27)	(16,343)	(607)	2,867	2,961	3,231	8,450	22,822	39,536
Financing Activities / Stock Comp	11,172	-	-	-	-	25,000	-	-	-	-	-	-	-	25,000	-	-	-	-	-	-	-
Actual Cash Flow	5,793	(3,374)	(1,604)	(150)	(1,274)	23,215	(1,353)	(2,350)	(1,404)	(1,005)	(1,142)	(876)	(27)	8,657	(607)	2,867	2,961	3,231	8,450	22,822	39,536
Ending Cash Balance	5,757	2,382	778	628	(645)	22,570	21,217	18,866	17,463	16,458	15,316	14,440	14,413	14,413	13,806	16,672	19,633	22,864	22,864	45,686	85,222

The Burn-Rate Analysis is a condensed snapshot that synthesizes Income Statement, Statement of Cashflow, and Balance Sheet into one view

- It reduces all questions about company activities to “how does it impact cash runway”
- \$6M of A-extension is under Financing Activities in Q4 2022; a \$25M “Series B” (TBD capital/equip lease combo) is in Q2 2023
- EBITDA-positive in Q4 2023
- Low cash point of \$17M in Q2 2024 represents reserve for a variety of expansion, vertical integration, or partnering opportunities
- Steady-state GM % > 50% is targeted

A-Extension Summary



- Surge in customer engagement calls for “muscling-up”
- There are multiple opportunities in closing range that can substantially establish a scaling base for Steelhead
- More runway to prove that can lead to a very robust position and outlook in Series B
- This A-extension will be aimed at “the points of attack”:
 - product development and certifications
 - system engineering support of customers to win deals
 - production capacity optimizations

A-Extension Round Characteristics:

- Aiming for early December close
- Raising approx \$5-7M from new & existing investors
- Re-opening round at same \$4.19/share
- Minimum check size for new investors \$200K
- Existing investors minimum at pro rata

Objective of the fundraise:

- Extend company cash runway until May of 2023
- Drive substantial evidence of market traction and hydrogen capabilities
- Begin raising a \$25M+ Series B/equipment leasing in January of 2023/closing May 2023
- Close Series B with a gain in valuation commensurate with a matured Steelhead leadership position in H2 storage