INVINITY ENERGY SYSTEMS (IES LN)

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Price (p)	**21.00**
Shares in issue (m)	441
Mkt Cap (£m)	93
Net debt (£m)	-3
EV (£m)	89
BVPS (p)	29.6

Share price performance	
1m	-4.5%
3m	31.3%
12m	86.7%
12 m high/low	28.6/7.9
Ave daily vol (30D)	403,464

Shareholders	
National Wealth F'nd	24.7%
Schroders plc	13.7%
Artha Global	5.1%
Janus Henderson	5.0%
Premier Miton	4.0%
Herald	3.7%

WIDENING THE OPPORTUNITY

Invinity has made two important announcements today, starting with a key MoU signed in China that brings together partner companies covering the full supply chain including vanadium and also the marketing of Invinity flow batteries in China and beyond. At the same time the company has launched an enterprise version of its flagship Endurium product aimed at commercial and industrial customers giving access to the growing demand for microgrids and similar sized applications. Taken together these moves widen the offering and addressable markets for the company as it also sees growth potential in the UK under the Cap and Floor support mechanism.

Major MoU Builds Partnership for Delivery in China

Invinity has signed a memorandum of understanding (MoU) with Xiamen C&D Corporation, one of China's largest supply chain operators and a Fortune 500 company. The MoU has been signed on behalf of a consortium of partners that Invinity is working with to target the establishment of manufacturing facilities for Invinity flow batteries in Xiamen, China. The partners include manufacturing partner Baojia New Energy and Guangxi United Energy Storage New Materials Technology Limited ("UESNT"), both of whom are in existing partnerships with Invinity with the latter targeting production of 1.9GWh to 2030. The partnership also brings in International Resources Limited (IRL) the Hong Kong based owner and operator of South Africa's Mapoch mine, one of the largest producers of vanadium in the world.

Endurium Enterprise Extends Offering for C&I Customers

Invinity has also announced the launch of an enterprise version of its Endurium flow battery. This has been specifically designed for commercial and industrial (C&I) customers such as small data centres and behind the meter applications, as well as gird connected, but not grid reliant, microgrids. A typical application could be the large casino sites where the company has already seen traction in the US. The Endurium Enterprise will size down to 1MW compared to Endurium's minimum 3MW capacity and, like its larger sibling, will be available in a range of durations. Invinity reports prospective C&I customers looking for ease of co-location with solar generation, fire safety and long life as key attributes and the Endurium Enterprise now delivers these at a size which widens the market for Invinity.

Next news	Ints Q4

Business description

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£,000 Dec	2022a	2023a	2024a	2025e	2026e	2027e
Sales	2,944	22,066	5,015	20,683	92,073	95,193
EBITDA	-17,632	-21,379	-22,674	-21,685	1,849	8,664
PBT	-18,537	-23,179	-22,797	-24,254	-2,437	1,694
EPS	-16.0	-13.1	-6.6	-5.5	-0.6	0.3
CFPS	-19.5	-11.7	-8.0	-5.3	-2.2	0.0
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt (Cash)	-3,428	-3,458	-30,657	-8,407	1,013	946
Debt/EBITDA	0.2	0.2	1.4	0.4	0.5	0.1
P/E	-1.3	-1.6	-3.2	-3.8	-38.0	72.8
EV/EBITDA	-5.1	-4.2	-2.7	-3.9	50.6	10.8
EV/sales	30.3	4.0	17.8	4.3	1.0	0.9
FCF yield	-0.9%	-0.6%	-0.4%	-0.3%	-0.1%	0.0%
Div yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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FINANCIAL MODEL

Profit and Loss Account

£,000, Dec	2022a	2023a	2024a	2025e	2026e	2027e
Turnover						
Sales	2,944	22,066	5,015	20,683	91,719	93,589
Projects	0	0	0	0	354	1,605
Grants	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	2,944	22,066	5,015	20,683	92,073	95,193
Operating profit						
Sales	-18,982	-22,778	-24,057	-25,138	-2,750	1,002
Projects	0	0	0	0	-222	216
Grants	0	0	0	0	0	0
Other	0	0	0	0	0	0
Operating profit	-18,982	-22,778	-24,057	-25,138	-2,972	1,218
P&L Account	**2022a**	**2023a**	**2024a**	**2025e**	**2026e**	**2027e**
Turnover	2,944	22,066	5,015	20,683	92,073	95,193
Operating Profit	-18,982	-22,778	-24,057	-25,138	-2,972	1,218
Investment income	0	0	0	0	264	527
Net Interest	445	-401	1,260	885	271	-52
Pre Tax Profit (UKSIP)	-18,537	-23,179	-22,797	-24,254	-2,437	1,694
Goodwill amortisation	0	0	0	0	0	0
Exceptional Items	0	0	0	0	0	0
Pre Tax Profit (IFRS)	-18,537	-23,179	-22,797	-24,254	-2,437	1,694
Tax	0	0	0	0	0	-423
Post tax exceptionals	0	0	0	0	0	0
Minorities	0	0	0	0	0	0
Net Profit	-18,537	-23,179	-22,797	-24,254	-2,437	1,270
Dividend	0	0	0	0	0	0
Retained	-18,537	-23,179	-22,797	-24,254	-2,437	1,270
EBITDA	-17,632	-21,379	-22,674	-21,685	1,849	8,664
EPS (p) (UKSIP)	-15.96	-13.14	-6.65	-5.51	-0.55	0.29
EPS (p) (IFRS)	-15.96	-13.14	-6.65	-5.51	-0.55	0.29
FCFPS (p)	-19.49	-11.70	-7.99	-5.25	-2.20	0.03
Dividend (p)	0.00	0.00	0.00	0.00	0.00	0.00

Source: Company data, Longspur Research estimates

KEY POINTS

- In FY 25 we have made a non-cash change to represent a revised expectation of the accounting treatment of the LODES grant with 25% of this now capitalised
- Sales drop in FY 24 given headwinds in market and evolution of product offering
- Operating profit and EBITDA broadly static through to FY 25 as gross margins remain low
- Grant income separated out in FY 25. Could end up being capitalised.
- ENDURIUM volumes drive both sales and gross margin in FY 26
- Revenue from FY 25 includes some royalty sales replacing full equipment sales
- Gross margins move positive from FY 26 with full profitability from FY 27
- Small initial investment income from UK projects from FY 26

Balance Sheet

£,000, Dec	2022a	2023a	2024a	2025e	2026e	2027e
Fixed Asset Cost	6,581	6,658	7,582	17,105	33,856	34,271
Fixed Asset Depr'n	-3,528	-3,401	-3,710	-7,163	-11,720	-18,639
Net Fixed Assets	3,053	3,257	3,872	9,942	22,136	15,632
Goodwill	24,050	24,002	23,959	23,959	23,959	23,959
Other intangibles	0	0	0	0	0	0
Investments	0	0	0	3,365	6,730	10,096
Stock	9,827	3,288	5,753	6,912	9,295	16,911
Trade Debtors	1,737	2,496	1,976	5,100	15,135	15,648
Other Debtors	9,281	3,913	7,648	3,908	3,908	3,908
Trade Creditors	-4,935	-3,948	-4,525	-9,920	-29,831	-32,531
Other Creditors <1yr	-9,144	-1,718	-1,663	-7,163	-7,163	-7,163
Creditors >1yr	0	0	0	0	0	0
Provisions	-2,907	-935	-2,008	-3,094	-4,180	-5,266
Pension	0	0	0	0	0	0
Capital Employed	30,962	30,355	35,012	33,009	39,991	41,194
Cash etc	5,137	5,014	32,352	9,987	465	439
Borrowing <1yr	740	723	550	550	550	550
Borrowing >1yr	969	833	1,145	1,031	927	835
Net Borrowing	-3,428	-3,458	-30,657	-8,407	1,013	946
Share Capital	50,716	51,348	53,473	53,473	53,473	53,473
Share Premium	141,579	162,883	215,121	215,121	215,121	215,121
Retained Earnings	-162,094	-185,273	-208,070	-232,324	-234,761	-233,491
Other	4,189	4,855	5,145	5,145	5,145	5,145
Minority interest	0	0	0	0	0	0
Capital Employed	30,962	30,355	35,012	33,009	39,991	41,194
Net Assets	34,390	33,813	65,669	41,415	38,978	40,248
Total Equity	34,390	33,813	65,669	41,415	38,978	40,248

Source: Company data, Longspur Research estimates

KEY POINTS

- Cash position increased following fund raising in FY 24
- Investments in UK project (LODES) show from FY 25
- Slight inventory improvement as royalty sales increase from FY 26

Cashflow

£,000, Dec	2022a	2023a	2024a	2025e	2026e	2027e
Operating profit	-18,982	-22,778	-24,057	-25,138	-2,972	1,218
Depreciation	1,350	1,399	1,383	3,453	4,557	6,919
Provisions	-3,069	-1,864	1,086	1,086	1,086	1,086
Other	1,013	879	2,255	0	0	0
Working capital	-2,246	2,707	-6,770	10,352	7,755	-5,324
Operating cash flow	-21,934	-19,657	-26,103	-10,247	10,427	3,899
Tax paid	0	0	0	0	0	0
Capex (less disposals)	-708	-984	-1,301	-9,523	-16,751	-415
Investments	0	0	0	-3,365	-3,365	-3,365
Net interest	3	254	1,209	885	271	-52
Net dividends	0	0	0	0	0	0
Residual cash flow	-22,639	-20,387	-26,195	-22,250	-9,419	67
Equity issued	1,161	21,927	54,386	0	0	0
Change in net borrowing	22,157	-30	-27,199	22,250	9,419	-67
Adjustments	-679	-1,510	-992	0	0	0
Total financing	22,639	20,387	26,195	22,250	9,419	-67

Source: Company data, Longspur Research estimates

KEY POINTS

- Working capital improvements in FY 26 on royalty model
- Capex on Bathgate FY 24 to FY 26
- Major equity issue completed in FY 24

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