

10 October 2024

Price (p)	9.25
Shares in issue (m)	441
Mkt Cap (£m)	41
Net debt (£m)	-3
EV (£m)	37
BVPS (p)	29.6

Share price performance	
1m	-15.9%
3m	-59.8%
12m	-79.4%
12 m high/low	45.3/8.8
Ave daily vol (30D)	1,299,638

Shareholders	
UKIB	24.7%
Schroders plc	18.5%
Premier Miton	4.3%
Herald	3.7%

Next news Finals Q2

Business description
Vanadium flow battery manufacturer and developer



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UK SUPPORTS LONG DURATION STORAGE

The government appears to be following the Lords' Science and Technology Committee's recommendation that they "get on with it" when it comes to supporting long duration energy storage. Confirmation of a cap and floor revenue support model that could be open to applications in 2025 should drive new demand for Invinity flow batteries. With a strong commitment to more intermittent renewables, yet also delays on new baseload capacity such as Sizewell C, demand for storage represents a growing and long term opportunity in our view.

Support for Long Duration Energy Storage Confirmed

The UK Government has confirmed that it will support long duration energy storage (LDES) projects through a cap and floor revenue support model potentially with a soft cap. The electricity regulator, Ofgem, will run the programme. Ofgem will need to collect further information before it can confirm details of the investment framework. A technical decision document will be published "this winter" with final decisions expected to allow Ofgem to open a scheme to applications in 2025. This timing could drive early new demand for Invinity flow batteries in the GB market with customers potentially looking at deployment to build an understanding of the technology ahead of the auctions. Projects successful in the cap and floor auctions will still be allowed to participate in the capacity market and by implication also in the balancing mechanism and seek ancillary revenue streams. This is potentially a major positive for Invinity flow batteries given their unlimited cycling capabilities.

Invinity Flow Batteries Well Placed to Benefit

While lithium ion is not automatically ruled out the support excludes projects that can be readily deployed via existing market opportunities. With the possible exception of novel technologies, we do not expect lithium-ion projects to gain support here. There will be two streams with Stream 1 for established technologies of TRL 9 including pumped hydro. Stream 2 will be for more novel technologies at TRL 8. Invinity's Mistral flow batteries launching later this year are expected to be eligible for this stream and face less competition as a result as well as benefiting from a revised minimum project size. While there are slightly varying definitions of TRLs, the UK Ministry of Defence definition would appear to qualify Invinity technology as TRL 8 in our view. Additional auction criteria including energy sovereignty contributions could benefit technologies manufactured in the UK including Invinity's flow batteries.

£,000 Dec	2022a	2023a	2024e	2025e	2026e	2027e
Sales	2,944	22,066	4,817	23,183	91,719	140,383
EBITDA	-17,632	-21,379	-20,879	-22,834	555	20,100
PBT	-18,537	-23,179	-22,422	-22,830	-2,206	16,865
EPS	-16.0	-13.1	-5.1	-5.2	-0.5	2.9
CFPS	-19.5	-11.7	-4.8	-7.3	-2.4	1.8
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt (Cash)	-3,428	-3,458	-39,702	-9,387	1,089	-6,904
Debt/EBITDA	0.2	0.2	1.9	0.4	2.0	-0.3
P/E	-0.6	-0.7	-1.8	-1.8	-18.5	3.2
EV/EBITDA	0.2	0.2	1.9	0.4	2.0	-0.3
EV/sales	-1.2	-0.2	-0.7	-0.1	0.0	0.0
FCF yield	-2.1%	-1.3%	-0.5%	-0.8%	-0.3%	0.2%
Div yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

FINANCIAL MODEL

Profit and Loss Account

£,000, Dec	2022a	2023a	2024e	2025e	2026e	2027e
Turnover						
Sales	2,944	22,066	4,817	23,183	91,719	140,383
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	2,944	22,066	4,817	23,183	91,719	140,383
Operating profit						
Sales	-18,982	-22,778	-22,402	-24,638	-2,750	16,448
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
Operating profit	-18,982	-22,778	-22,402	-24,638	-2,750	16,448
P&L Account	2022a	2023a	2024e	2025e	2026e	2027e
Turnover	2,944	22,066	4,817	23,183	91,719	140,383
Operating Profit	-18,982	-22,778	-22,402	-24,638	-2,750	16,448
Investment income	0	0	0	0	264	527
Net Interest	445	-401	-21	1,808	280	-110
Pre Tax Profit (UKSIP)	-18,537	-23,179	-22,422	-22,830	-2,206	16,865
Goodwill amortisation	0	0	0	0	0	0
Exceptional Items	0	0	0	0	0	0
Pre Tax Profit (IFRS)	-18,537	-23,179	-22,422	-22,830	-2,206	16,865
Tax	0	0	0	0	0	-4,216
Post tax exceptionals	0	0	0	0	0	0
Minorities	0	0	0	0	0	0
Net Profit	-18,537	-23,179	-22,422	-22,830	-2,206	12,649
Dividend	0	0	0	0	0	0
Retained	-18,537	-23,179	-22,422	-22,830	-2,206	12,649
EBITDA	-17,632	-21,379	-20,879	-22,834	555	20,100
EPS (p) (UKSIP)	-15.96	-13.14	-5.09	-5.18	-0.50	2.87
EPS (p) (IFRS)	-15.96	-13.14	-5.09	-5.18	-0.50	2.87
FCFPS (p)	-19.49	-11.70	-4.79	-7.29	-2.44	1.84
Dividend (p)	0.00	0.00	0.00	0.00	0.00	0.00

Source: Company data, Longspur Research estimates

KEY POINTS

- Sales drop in FY 24 given headwinds in market
- Operating profit and EBITDA broadly static through to FY 25 as gross margins remain low
- Mistral 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	2024e	2025e	2026e	2027e
Fixed Asset Cost	6,581	6,658	7,543	8,938	15,061	15,476
Fixed Asset Depreciation	-3,528	-3,401	-4,924	-6,728	-9,769	-12,894
Net Fixed Assets	3,053	3,257	2,619	2,210	5,292	2,583
Goodwill	24,050	24,002	24,002	24,002	24,002	24,002
Other intangibles	0	0	0	0	0	0
Investments	0	0	0	3,365	6,730	10,096
Stock	9,827	3,288	1,188	5,716	15,077	23,077
Trade Debtors	1,737	2,496	792	3,811	15,077	23,077
Other Debtors	9,281	3,913	3,913	3,913	3,913	3,913
Trade Creditors	-4,935	-3,948	-792	-3,811	-22,616	-34,615
Other Creditors <1yr	-9,144	-1,718	-1,718	-1,718	-1,718	-1,718
Creditors >1yr	0	0	0	0	0	0
Provisions	-2,907	-935	-935	-935	-935	-935
Pension	0	0	0	0	0	0
Capital Employed	30,962	30,355	29,069	36,553	44,823	49,479
Cash etc	5,137	5,014	45,174	14,385	3,481	11,090
Borrowing <1yr	740	723	723	723	723	723
Borrowing >1yr	969	833	4,750	4,275	3,847	3,463
Net Borrowing	-3,428	-3,458	-39,702	-9,387	1,089	-6,904
Share Capital	50,716	51,348	52,609	52,609	52,609	52,609
Share Premium	141,579	162,883	219,002	219,002	219,002	219,002
Retained Earnings	162,094	185,273	207,695	230,526	232,732	220,083
Other	4,189	4,855	4,855	4,855	4,855	4,855
Minority interest	0	0	0	0	0	0
Capital Employed	30,962	30,355	29,069	36,553	44,823	49,479
Net Assets	34,390	33,813	68,771	45,940	43,734	56,383
Total Equity	34,390	33,813	68,771	45,940	43,734	56,383

Source: Company data, Longspur Research estimates

KEY POINTS

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

Cashflow

£,000, Dec	2022a	2023a	2024e	2025e	2026e	2027e
Operating profit	-18,982	-22,778	-22,402	-24,638	-2,750	16,448
Depreciation	1,350	1,399	1,523	1,804	3,041	3,124
Provisions	-3,069	-1,864	0	0	0	0
Other	1,013	879	0	0	0	0
Working capital	-2,246	2,707	648	-4,528	-1,559	-7,689
Operating cash flow	-21,934	-19,657	-20,230	-27,362	-1,268	11,884
Tax paid	0	0	0	0	0	0
Capex (less disposals)	-708	-984	-885	-1,395	-6,123	-415
Investments	0	0	0	-3,365	-3,365	-3,365
Net interest	3	254	-21	1,808	280	-110
Net dividends	0	0	0	0	0	0
Residual cash flow	-22,639	-20,387	-21,136	-30,314	-10,477	7,994
Equity issued	1,161	21,927	57,380	0	0	0
Change in net borrowing	22,157	-30	-36,244	30,314	10,477	-7,994
Adjustments	-679	-1,510	0	0	0	0
Total financing	22,639	20,387	21,136	30,314	10,477	-7,994

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
- Further manufacturing expansion sees capex in FY 27

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