

12 March 2025

<b>Price (p)</b>	<b>10.75</b>
Shares in issue (m)	441
Mkt Cap (£m)	47
Net debt (£m)	-3
EV (£m)	44
BVPS (p)	29.6

#### Share price performance

1m	-14.0%
3m	-31.7%
12m	-53.6%
12 m high/low	28.1/8.8
Ave daily vol (30D)	393,846

#### 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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## NEW SUPPLY AND POTENTIAL UK SUPPORT

Invinity has agreed a 10.8MWh supply of its ENDURIUM flow batteries in Hungary, a 0.9MWh sale of its smaller VS3 battery in the USA and is making progress on the LODES project in the UK. Following teaming up with developer Frontier Power to bid under the expected UK cap and floor support mechanism for long duration storage, the key technical decision document for the scheme was issued yesterday and confirms support for flow batteries.

### Cap and Floor Support Mechanism Details Published

UK electricity regulator OFGEM has published the technical decision document on the long electricity duration storage cap and floor mechanism. This targets revenue stability for long duration storage in the GB electricity market to encourage investment in between 2.7GW and 7.7GW of new capacity by 2035. While the cap and floor levels will not be known until Q2 2026 they are designed to give a fair return with the floor supporting debt funding. The cap can be exceeded with any excess split between company and consumers giving the potential for better returns. We see this as positive for Invinity who have teamed with developer Frontier Power to address opportunities created by the cap and floor mechanism.

### Agreement to Supply 10.8MWh ENDURIUM Battery in Hungary

Invinity has also today announced the signing of an agreement to supply 10.8MWh of ENDURIUM flow batteries to STS Service Ltd for a co-located solar and storage project in Hungary. This is the second order from an STS Group company following a smaller 1.5MWh VS3 sale. It cements STS's relationship as Invinity's partner in Hungary. The sale is conditional on the project reaching financial close which is expected in Q2 2025. On close Invinity will expect a manufacturing downpayment with shipping later in the year.

### VS3 Sale in USA and Progress in UK

The company has also secured the sale of a 0.9MWh VS3 battery to HITT Contracting in the USA, again for installation in a co-located solar and storage project. Shipping is expected in Q3. Finally, in the UK the company continues to progress the LODES project to create a key reference project and with the plan that grant funding for the project can be recognised in the current financial year. Some of the equity raised last year has been ring-fenced to support this objective and Invinity is now actively considering their use to realise the benefits of the project.

£,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	-0.7	-0.8	-2.1	-2.1	-21.5	3.7
EV/EBITDA	0.2	0.2	1.9	0.4	2.0	-0.3
EV/sales	-1.1	-0.2	-0.7	-0.1	0.0	0.0
FCF yield	-1.8%	-1.1%	-0.4%	-0.7%	-0.2%	0.2%
Div yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## CAP AND FLOOR MOVES AHEAD

### 25 Year Cap and Floor With “Soft” Cap

The UK cap and floor mechanism will comprise a 25 year “soft” cap on all project revenue to allow recovery of invested debt and equity with a fair level of return on the project costs. The soft nature of the cap means that revenues over the cap are split between customers and the company with customers paid back the year after the cap is breeched. The revenue floor will be based on a return in line with the cost of debt. The floor can be set by OFGEM or companies can base the floor on a competitive debt-raising process under an optional project finance variation. This is clearly aimed at supporting debt funding for projects and we think will allow typical project financing levels of gearing. Exceptionally, projects can request a shorter time period but not less than 20 years and, in all cases, full discharge capacity must be maintained over the duration of the cap and floor regime. We think this is more challenging for lithium ion based projects.

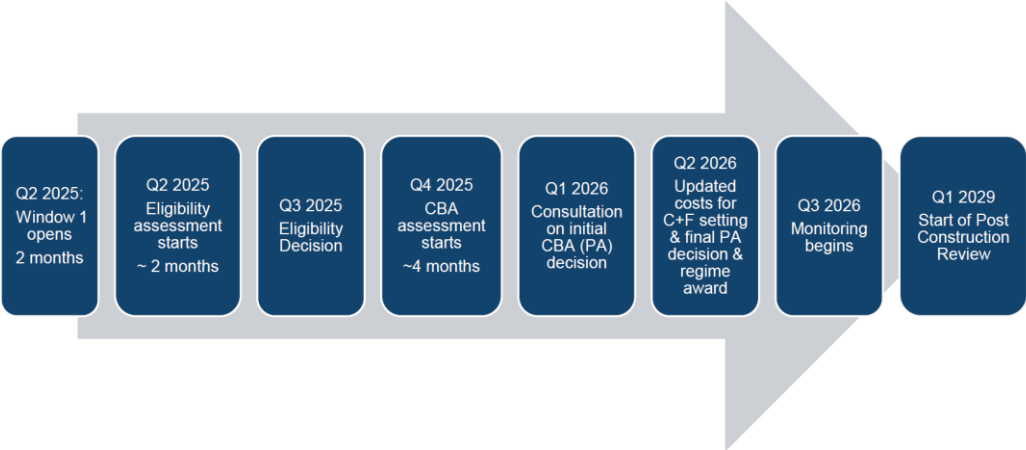
### Targeted Support of 2.7GW to 7.7GW Storage Capacity

The indicative capacity range for Window One is 2.7GW to 7.7GW up to 2035. Projects must have a minimum capacity of 100MW for stream 1 or 50MW for stream 2. Stream 1 is for projects with a technical readiness level (TRL) of 9 and stream 2 is for TRL 8. TRL 9 is interpreted as at least two assets of at least 100MW in working operation. As a result, we think that Invinity’s flow batteries are TRL 8 as existing deployments are of a smaller size. OFGEM gives an indicative assessment of flow batteries along with compressed and liquid air storage as being TRL 8. All projects must have 8 hours duration or more, and this must be continuous discharge at full power. This has been increased from 6 hours, and we think this makes lithium ion economics less attractive.

### Application Window to Open in April

The first application window (Window One) is expected to open in April 2025 with eligibility decisions reached in Q3 2025. Only then will project assessment including detailed cost analysis begin and initial decisions on projects will be made in Q1 2026 and final project awards including the cap and floor levels will be made in Q2 2026. Projects deliverable by 2030 and by 2033 will be assessed in parallel but a twin track approach may be adopted with Track 1 for projects deliverable by 2030 and track 2 for projects deliverable by 2033. Track 1 projects can request an extension to 2032 and track 2 to 2035. Given the lead times on Invinity flow batteries we would expect any projects using the technology to be in Track 1.

### Window One Assessment Timeline



Source: OFGEM

## FINANCIAL MODEL

### Profit and Loss Account

£,000, Dec	2022a	2023a	2024e	2025e	2026e	2027e
<b>Turnover</b>						
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
<b>Total</b>	<b>2,944</b>	<b>22,066</b>	<b>4,817</b>	<b>23,183</b>	<b>91,719</b>	<b>140,383</b>
<b>Operating profit</b>						
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
<b>Operating profit</b>	<b>-18,982</b>	<b>-22,778</b>	<b>-22,402</b>	<b>-24,638</b>	<b>-2,750</b>	<b>16,448</b>
<b>P&amp;L Account</b>	<b>2022a</b>	<b>2023a</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>2027e</b>
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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