

31 March 2025

Price (p)	8.13
Shares in issue (m)	441
Mkt Cap (£m)	36
Net debt (£m)	-3
EV (£m)	32
BVPS (p)	29.6

Share price performance	
1m	-30.9%
3m	-49.2%
12m	-65.3%
12 m high/low	28.1/7.9
Ave daily vol (30D)	684,854
	-30.9%

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



Research

Adam Forsyth

adam.forsyth@longspur.com

+44 (0) 131 357 6770

Max Campbell

max.campbell@longspur.com

+44 (0) 7900 206039

Distribution

Adam Robertson

adam.robertson@longspur.com

+44 (0) 203 940 6602

LODES PROJECT TO GO AHEAD

Invinity has issued a trading update and has also announced that it is to develop a flow battery project under the UK's LODES competition. This will allow Invinity to release inventory and gain contributions from an operating project. More importantly an operating project, co-located with a solar project, gives Invinity a valuable reference project allowing potential clients to evaluate the technology in a real world setting. The competition grant adds to other expected earnings in FY 25 allowing the company to confirm expectations for that year as it also does for FY 24.

Trading Update Confirms Near-Term Forecasts

Invinity's trading update confirms that results for FY 24 will be in line with expectations thanks to orders shipped and with the audited numbers expected by the end of June. Additionally, Invinity expects FY 25 to also be in line with expectations with the 10.8MWh STS supply agreement, the 14.4MWh Everdura order and now the £10m grant income combining to support earnings in that year. The company has also now seen its first ENDURIUM flow batteries commissioned and operating as expected and has already achieved a 24% reduction in cost with development ongoing.

Invinity to Develop 20.7MWh Project with Competition Backing

Invinity is to develop a 20.7MWh flow battery project in the South East of England using its own VS3 technology. The project will be in part funded by the Longer Duration Energy Storage (LODES) Demonstration proceeds following Invinity's success in winning this competition. This will provide £7m to £10m of the project cost which is expected to total up to £20m and Invinity will fund the remaining cost from ring fenced proceeds from the investment by the National Wealth Fund made in May 2024. Subject to a planning variation the project is expected to commence construction in H2 2025 and be operational in 2026.

A Major Reference Site at a Key Time

The project will be co-located with a solar photovoltaic project with an existing 5.5MW grid connection. We expect that the battery will be sized at 5.5MW with four hours duration. The duration scale will make the battery an ideal match for the solar assets, allowing some of the PV output to be used instantly and the remaining capacity to be stored for use when the sun is not shining. The project will act as a reference site, and Invinity will benefit from full access to operational data.

£,000 Dec	2022a	2023a	2024e	2025e	2026e	2027e
Sales	2,944	22,066	4,817	23,183	92,073	141,988
EBITDA	-17,632	-21,379	-20,879	-10,688	2,180	24,607
PBT	-18,537	-23,179	-22,422	-13,330	-2,523	17,011
EPS	-16.0	-13.1	-5.1	-3.0	-0.6	2.9
CFPS	-19.5	-11.7	-4.8	-7.8	-2.5	0.8
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt (Cash)	-3,428	-3,458	-39,702	-6,594	4,198	796
Debt/EBITDA	0.2	0.2	1.9	0.6	1.9	0.0
P/E	-0.5	-0.6	-1.6	-2.7	-14.2	2.8
EV/EBITDA	0.2	0.2	1.9	0.6	1.9	0.0
EV/sales	-1.2	-0.2	-0.7	-0.1	0.0	0.0
FCF yield	-2.4%	-1.4%	-0.6%	-1.0%	-0.3%	0.1%
Div yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CHANGES TO FORECASTS

COMFORT IN NEAR-TERM FORECASTS

The trading update confirms that FY 24 results due to be announced by the end of June will be in line with expectations thanks to the shipping of orders secured in the year. Additionally the company has confirmed that FY 25 trading is in line with expectations the 10.8MWh STS supply agreement, the 14.4MWh Everdura order now being joined by the £10m of grant income from the LODES competition.

The company has also been working at the corporate level with a review of capital allocation and the redomiciling from Jersey to the UK. With a further move to electronic shareholder communication and the planned cancellation of the secondary listing on AQSE, administrative costs are reducing. Again this gives additional comfort in our existing forecasts.

ADJUSTMENTS TO FORECASTS TO INCLUDE THE NEW PROJECT

Taken together therefore, the statement gives us greater comfort with our near-term forecasts but have made adjustments to capture the LODES grant income and also the project development and income as it goes forward. We have added the project to our forecasts with the battery economics based on the price spread for a 4-hour battery using the GB market price duration curve. We have assumed other elements of the revenue stack are minimal and we think the outcome is conservative although positive with infrastructure type returns. As a first of a kind reference project the real value is as a demonstration site to market new sales. As a result, our central case valuation remains unchanged at 72p.

RISK MITIGATION

We also see other risks being mitigated with some positive progress highlighted in the trading statement. The 24% cost reduction at ENDURIUM allows it to compete despite falls in lithium ion battery costs although we also think ENDURIUM can serve markets that are less suitable for lithium ion whatever the cost. The company now retains manufacturing presence in the UK, Canada, China and Taiwan and is engaged in discussions to expand in the USA where funding remains available for part-funded projects with the Department of Energy. Together with the UK partnership with Frontier Energy targeting up to 2GWh of projects under the Cap and Floor support mechanism we see greater backing for these forecasts.

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
Project Income	0	0	0	0	354	1,605
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	2,944	22,066	4,817	23,183	92,073	141,988
Operating profit						
Sales	-18,982	-22,778	-22,402	-14,638	-2,750	16,448
Project Income	0	0	0	0	-222	216
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
Operating profit	-18,982	-22,778	-22,402	-14,638	-2,972	16,664
P&L Account	2022a	2023a	2024e	2025e	2026e	2027e
Turnover	2,944	22,066	4,817	23,183	92,073	141,988
Operating Profit	-18,982	-22,778	-22,402	-14,638	-2,972	16,664
Investment income	0	0	0	0	264	527
Net Interest	445	-401	-21	1,308	186	-180
Pre Tax Profit (UKSIP)	-18,537	-23,179	-22,422	-13,330	-2,523	17,011
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	-13,330	-2,523	17,011
Tax	0	0	0	0	0	-4,253
Post tax exceptionals	0	0	0	0	0	0
Minorities	0	0	0	0	0	0
Net Profit	-18,537	-23,179	-22,422	-13,330	-2,523	12,758
Dividend	0	0	0	0	0	0
Retained	-18,537	-23,179	-22,422	-13,330	-2,523	12,758
EBITDA	-17,632	-21,379	-20,879	-10,688	2,180	24,607
EPS (p) (UKSIP)	-15.96	-13.14	-5.09	-3.03	-0.57	2.90
EPS (p) (IFRS)	-15.96	-13.14	-5.09	-3.03	-0.57	2.90
FCFPS (p)	-19.49	-11.70	-4.79	-7.81	-2.49	0.81
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
- LODES project contributes from FY 26

Balance Sheet

£,000, Dec	2022a	2023a	2024e	2025e	2026e	2027e
Fixed Asset Cost	6,581	6,658	7,543	19,566	36,317	36,732
Fixed Asset Depreciation	-3,528	-3,401	-4,924	-8,874	-13,762	-21,178
Net Fixed Assets	3,053	3,257	2,619	10,692	22,555	15,554
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	7,622	10,135	27,231
Trade Debtors	1,737	2,496	792	5,716	15,135	23,340
Other Debtors	9,281	3,913	3,913	3,913	3,913	3,913
Trade Creditors	-4,935	-3,948	-792	-3,811	-22,703	-35,011
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	48,846	57,115	66,472
Cash etc	5,137	5,014	45,174	11,592	373	3,390
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	-6,594	4,198	796
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	221,026	223,548	210,790
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	48,846	57,115	66,472
Net Assets	34,390	33,813	68,771	55,440	52,918	65,676
Total Equity	34,390	33,813	68,771	55,440	52,918	65,676

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
- Stock rise mitigated in FY 25 as LODES inventory utilised

Cashflow

£,000, Dec	2022a	2023a	2024e	2025e	2026e	2027e
Operating profit	-18,982	-22,778	-22,402	-14,638	-2,972	16,664
Depreciation	1,350	1,399	1,523	3,950	4,888	7,416
Provisions	-3,069	-1,864	0	0	0	0
Other	1,013	879	0	0	0	0
Working capital	-2,246	2,707	648	-8,339	7,223	-16,718
Operating cash flow	-21,934	-19,657	-20,230	-19,027	9,139	7,362
Tax paid	0	0	0	0	0	0
Capex (less disposals)	-708	-984	-885	-12,023	-16,751	-415
Investments	0	0	0	-3,365	-3,365	-3,365
Net interest	3	254	-21	1,308	186	-180
Net dividends	0	0	0	0	0	0
Residual cash flow	-22,639	-20,387	-21,136	-33,108	-10,792	3,401
Equity issued	1,161	21,927	57,380	0	0	0
Change in net borrowing	22,157	-30	-36,244	33,108	10,792	-3,401
Adjustments	-679	-1,510	0	0	0	0
Total financing	22,639	20,387	21,136	33,108	10,792	-3,401

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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Longspur Research
10 Castle Street,
Edinburgh. EH2 3AT
UK

Longspur Capital
20 North Audley Street,
London. W1K 6WE
UK