

## UPDATE NOTE

ELECTROVAYA, INC. | EQUITY RESEARCH



### ELECTROVAYA, INC.

(OTCMKTS:EFLVF TSX: EFL)

IQ22 Results: On Course to Fulfill an Aggressive Revenue Target of \$27 Million in FY22

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Shawn Severson

ClimateTech & Sustainable Investing

[shawn@watertowerresearch.com](mailto:shawn@watertowerresearch.com)

+1 (727) 300 4702

#### KEY POINTS

- On February 14, 2022, Electrovaya reported [IQ22 earnings](#) results.
- Revenue fell by 51.6% to \$1.3 million, compared to \$2.6 million in IQ21. The decline was mainly due to customers' preference to defer deliveries to the next quarter on account of the holiday season.
- The company reiterated its revenue guidance of ~\$27 million for FY22, clearly indicating ways to get there. Electrovaya expects to achieve this through strategic supply agreements (~\$15 million with [Raymond Corp.](#)).
- The company reported a gross margin of 29.3% versus 31.8% for IQ21. The drop was primarily due to changes in the product mix, increases in material prices, higher shipping and logistics expenses, and currency movements.
- Management expects to achieve positive adjusted EBITDA in 2022 by increasing sales and maintaining a gross margin of 30-35%.
- In [January 2022](#), the company announced ~\$6 million of repeat orders for a single end-user, a Fortune 100 company. This is projected to generate revenue in 2Q22, with more purchases from the same client likely in the first half of 2022.
- In December 2021, the company filed a final base shelf prospectus entitling it to raise up to \$100 million in equity or debt over 25 months. In the same month, the promissory note due on December 31, 2021 was revised to extend the maturity date to July 1, 2022. Similarly, Electrovaya amended the maturity date of its C\$7 million working capital facility from December 31, 2021 to December 31, 2022.
- The company acknowledged that supply chain constraints put a strain on its capacity to reach delivery targets and result in cost hikes. Management is optimistic about avoiding these disruptions by increasing safety stock, vetting multiple vendors, and focusing more on onshore supply.

#### KEY STATISTICS

Price*	\$0.64
52-Week Range	\$0.56 - \$1.83
Avg. Daily Vol. (30 day)	46,128
Shares Out (MM)	145.9
Market Cap (\$MM)	\$93.37
Enterprise Value (\$MM)	\$97.84
Revenue TTM (\$MM)	\$9.78
Fiscal Year-End	September

Source: YCharts, as of February 15, 2022

#### EARNINGS SNAPSHOT

##### Financial Summary

(\$mm, except per share)	IQ22	Y/Y	Q/Q
Revenue	1.3	(51.6%)	(70.2%)
Gross Profit	0.4	(45.5%)	(109.8%)
Gross Margin	29.3%	(250 bps)	(560 bps)
Net Income	(2.2)	(0.3)	(0.1)
Diluted EPS	(0.01)	-	-
Cash	0.5	0.2	(3.7)
Debt	11.7	(3.2)	(0.2)

##### Revenue Mix

(\$mm, except per share)	IQ22	Y/Y	Q/Q
Batteries	1.11	(55.5%)	(55.3%)
Services	0.00	(94.9%)	(90.0%)
Grant Income	-	n.m.	n.m.
Others	0.14	n.m.	4.5%

## COMPANY OVERVIEW

Electrovaya is a leading manufacturer of safe and long-lasting lithium-ion batteries with differentiated performance and safety attributes, according to the company. The company has two primary battery platforms: Infinity and Solid State. The Infinity battery platform targets commercial vehicles, including lithium-ion e-forklift, e-bus, and e-trucks. This product has been launched commercially through global partners, including Toyota, Raymond, and Walmart. To date, Infinity sales have been primarily to the material handling industry, where lithium-ion batteries are replacing lead-acid batteries and, to some degree, fuel cells. The company's batteries can also be used in larger grid-scale energy storage. The Solid State platform (SSB) is under development and targeted to launch in 2023, focusing on creating the lowest initial \$/energy (kWh) and highest energy density. The target market for SSB will be electric passenger cars where a low initial cost (sticker price) is required. Electrovaya sells its battery solutions through two primary channels: OEM strategic supply agreements and a direct sales force. It primarily utilizes strategic partners for battery sales into new equipment or vehicle production and its direct sales force for the retrofit market. In addition to the two battery platforms, Electrovaya also develops cells, modules, battery management systems, software, and firmware necessary to deliver the systems. Electrovaya has substantial intellectual property in the lithium-ion battery sector and continues to carry out research and development activities in lithium-ion batteries, with over 100 patents in their portfolio. In June 2021, a new operating division named [Electrovaya Labs](#) was formed to focus on the R&D and commercialization of other disruptive technologies, including next-gen solid-state cells and a unique patented electrode processing technology. Electrovaya Inc. was founded in 1996 and is headquartered in Mississauga, Canada.

### The Technology

**Infinity Battery Platform:** According to Grand View Research, the global lithium-ion battery market was valued at \$53.6 billion in 2020 and is expected to cross \$216.5 billion by 2028, representing a CAGR of 19%. The Infinity lithium batteries are based on proprietary ceramic technologies, allowing improved safety and longevity without compromising energy and power. The EV-44 is Electrovaya's primary lithium-ion ceramic cell and meets the most stringent safety, energy density, cycle life, and performance standards. In addition, Electrovaya's battery systems are designed to be scaled through a modular approach, which provides flexibility for an application's specific capacity requirements.

**Solid State Platform:** According to Grand View Research, the global solid-state battery market was valued at \$590.9 million in 2020 and is expected to cross \$5.3 billion by 2028, representing a CAGR of 36%. Electrovaya believes it is well-positioned for this next-generation battery technology. Its division, Electrovaya Labs, focuses on developing solid-state battery technology, among others, and has targeted 2023 for the debut of its solid-state battery platform.

**Battery Management Systems:** Electrovaya's 5th Generation BMS provides the highest levels of cell balancing, IoT functionality, and safety. Reviewed and certified by UL to UL991 and UL1998 for specific applications, it is available for both low-voltage and high-voltage battery systems. Electrovaya's hardware and firmware engineering teams keep advancing and improving this technology to keep up with the increasing demands of the e-mobility industry. Electrovaya has launched a cloud-based battery analytics system with a subscription model to help generate recurring revenues. The system monitors battery health, utilization, and charging to provide customers with optimized fleet and charging management. Furthermore, the system improves the capability and efficiency of troubleshooting and maintenance. Several customers have started using this analytics system.

### The Markets

**Material Handling:** The material handling industry is undergoing a massive sea change from lead-acid batteries to alternative power sources, including lithium-ion and fuel cells. Electrovaya is having notable success in penetrating the material handling market as management believes it has arguably the highest performing battery solution in the market today. The company's material handling customers have shown meaningful RIOs using lithium-ion when compared to lead-acid batteries, with paybacks as short as a month, opening a significant opportunity for new units sold, as well as retrofits.

**E-Mobility:** In October, 2021, Electrovaya announced a strategic supply agreement with e-bus and e-truck manufacturer [Vicinity Motor Corp.](#) for EV buses and fully electric VMC 1200 Class 3 trucks. Management believes this is opening a new market for their batteries, and it is targeting further development and commercialization in this market. The company's solid-state battery platform will also target this market, with an expected launch date in 2023.

## ABOUT THE ANALYST



**Shawn Severson**

President & Co-Founder

Head of ClimateTech &  
Sustainable Investing  
Research

Shawn Severson is President & Co-Founder of Water Tower Research and is a member of the Board of Managers. Prior to co-founding Water Tower Research and previously founding predecessor firm alphaDIRECT Advisors, Shawn spent over 20 years as a senior equity research analyst covering the Technology and ClimateTech sectors, including senior positions at JMP Securities, ThinkEquity, Robert W. Baird (London), and Raymond James.

Shawn started his career as an Equity Research Associate at Kemper Securities. Shawn was frequently ranked as a top research analyst, including one of the Wall Street Journal's "Best on the Street" stock pickers and a StarMine Analyst Awards Top 3 stock picker. Shawn holds a B.A. in Finance and Economics from Augustana College.

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