

UPDATE NOTE

CLIMATETECH & SUSTAINABLE INVESTING

Electrovaya, Inc.

3Q23 Results: Revenue of \$10.5 Million; Registers
Positive EBITDA and Net Profit

August 16, 2023

Shawn Severson

shawn@watertowerresearch.com

727-300-1648

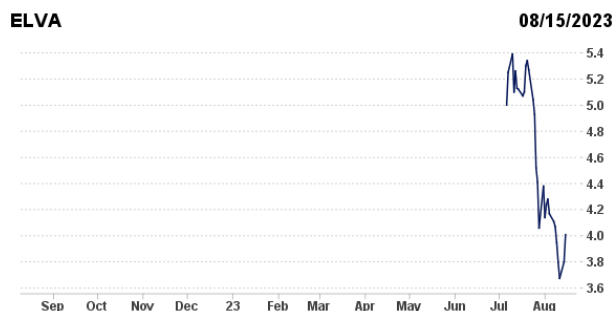
KEY POINTS

- **In 3Q23, Electrovaya achieved revenue of \$10.5 million, a 160% Y/Y increase from \$4.1 million in 3Q22.** The increase in revenue was due to increased order volume and a ramp-up in production to meet demand. Guidance of \$42 million for the year has been reiterated.
- **Revenue was predominantly from the sale of batteries for materials handling electric vehicles (MHEVs), which accounted for \$9.6 million (~91%) in 3Q23 versus \$4.2 million (~98%) in 3Q22.** The sale of engineering services, research grants, and other sources of revenue accounted for the remaining \$0.9 million (9%) in 3Q23 versus \$0.1 million (~1%) in 3Q22.
- **Electrovaya's gross margin was 28.1% for 3Q23, a 258-bp increase from the previous quarter, which was 25.5%.** The battery materials segment's gross margin stood at 30.3%. The company has noted that there were some increases in material prices due to inflationary pressures, which has been offset by engineering design optimization and sales price increases. It expects to see an increase in gross margins in FY23.
- **Adjusted EBITDA for 3Q23 was \$1.1 million, compared with a loss of \$0.6 million in 3Q22.** The positive figure is despite one-time costs associated with the NASDAQ listing. Electrovaya expects to maintain a positive adjusted EBITDA position for the remainder of FY23, with an overall positive figure.
- **The company recorded a net profit of \$0.1 million in 3Q23, compared with a net loss of \$1.5 million in 3Q22.**
- **At the end of 3Q23, total debt was \$16.9 million, which includes additional debts from the purchase of Sustainable Energy Jamestown.** The ending cash balance was \$0.7 million, and the company has drawn \$12 million of working capital facility out of \$12 million available.
- **From July 19 to July 31, 2023, a portion of the warrants issued in the private placement on November 9, 2022, were utilized,** leading to an approximate cash inflow of \$3 million.

KEY STATISTICS

Ticker:Exchange	ELVA:NASDAQ
Current Price	\$4.01
52-Week Range	\$3.30-\$5.50
Average Volume (30-Day)	122,950
Shares Outstanding (MM)	32.9
Market Cap (\$MM)	133.5
Fiscal Year-End	September

PRICE PERFORMANCE



Financial Summary

(\$mm, except per share)	2Q23	3Q23	3Q22	Y/Y	Q/Q
Revenue	10.5	10.5	4.1	160.0%	0.7%
Gross Profit	2.7	2.96	1.09	172.5%	10.9%
Gross Margin	25.5%	28.1%	26.8%	129bps	258bps
Net Income	0.2	0.08	(1.46)	-105.3%	-54.7%
Diluted EPS	0.00	0.00	-0.05	0.05	0.00
Cash	0.6	0.7	1.0	(0.2)	0.2
Debt	16.8	16.9	16.1	0.8	0.1

Revenue Mix

(\$mm, except per share)	2Q23	3Q23	3Q22
Batteries	10.1	9.6	4.2
Services	0.0	0.2	0.0
Grant Income	0.2	0.5	0.0
Others	0.1	0.3	0.1

Source: Company Filings, 10Q

Highlights

- On July 6, 2023, Electrovaya shares commenced trading on Nasdaq under the symbol "ELVA".
- The company has made notable advancements in securing a debt facility from a lending consortium controlled by the government. This facility aims to provide financing for the initial phase of constructing a gigafactory at the Jamestown site.
- In late July, the company introduced its Infinity-HV battery systems, which specifically cater to heavy-duty, high-voltage applications such as buses, delivery trucks, construction trucks, hybrid-fuel cell/battery systems, and stationary energy storage systems. Electrovaya's Infinity-HV systems will deliver exceptional safety and durability for these applications, resulting in reduced liability expenses, improved warranty coverage, and a more economical overall ownership cost for users.
- The revenue guidance of \$42 million for the year is expected to be generated primarily from sales of battery systems for commercial electric vehicles, mainly material handling battery systems.
- The company earlier announced its new Infinity series cell, which showcases a 10% boost in capacity compared with its existing cell product. The latest version of the cell boasts a capacity of 52 ampere hours and has successfully obtained certifications such as UL 2580 and UN38.3.
- Electrovaya earlier announced the exceptional cycle life exhibited by its batteries in independent testing where it successfully completed more than 9,000 charge/discharge cycles under demanding vehicle duty cycles. Remarkably, the batteries retained approximately 87% of their initial capacity, establishing themselves as industry leaders in terms of cycle life.
- Electrovaya successfully executed a reverse stock split on June 13, 2023, whereby the issued and outstanding common stock was consolidated at a ratio of one consolidated share for every five pre-consolidated shares. This strategic move was undertaken by the company to satisfy the minimum bid price criteria for the listing of its common shares on the Nasdaq Capital Market for trading purposes.
- On June 30, 2023, the company renewed its revolving credit facility and extended the term of the facility by three months to September 29, 2023, with the aim to refinance the facility by the end of FY23.
- Our prior content on ELVA can be accessed [here](#).

UPDATE NOTE

CLIMATETECH & SUSTAINABLE INVESTING

Our Previous Research Content

Initiation of Coverage Report

06/07/23 [Updated Overview Report: Momentum Continues with Commercialization across Infinity Battery Platform](#)

Extensive coverage on Electrovaya assessing key opportunities, obstacles, technology, industry, risks, competition, financials, management profiles, etc.

Fireside Chat Summary

05/19/23 [Fireside Chat: CEO Dr. Raj DasGupta, May 23, 2023, at 2:00 pm ET](#)

Conversation with Electrovaya CEO Dr. Raj DasGupta about an overview of recent events.

Management Series Summary

01/05/23 [An Update on Recent Events with Dr. Raj DasGupta](#)

Dr. Raj DasGupta gives an exclusive update on the company's recent events and key 2023 goals. A significant event was the announcement of the first U.S. Gigafactory for the planned production of cells and batteries in the State of New York.

Update Note Summary

08/07/23 [Water Tower Hour Recap: CEO Reviews Focus on Profitable Growth and Significant Opportunities Ahead](#)

In case you missed it, we recently hosted Electrovaya CEO Dr. Raj DasGupta for our Water Tower Hour podcast, covering several interesting topics.

05/10/23 [2Q23 Results: Record Q2 Revenue of \\$10.5 Million; Registers Positive EBITDA and Net Profit](#)

Revenue rose by 140.1% Y/Y to \$10.0 million from \$4.2 million in 4Q21. For FY22, the revenue figure stood at \$19.8 million, an increase of 71.1% compared with \$11.6 million in FY21.

02/14/23 [1Q23 Results: Revenue Rises Fivefold to \\$7.8 Million; US Gigafactory Expected to Start Production in Early 2024](#)

Revenue rose 527.3% Y/Y to \$7.8 million from \$1.2 million in 1Q22. The company's gross margin decreased to 25.0% from 29.5% in 1Q22. The net loss increased to \$3.7 million from a net loss of \$2.2 million in 1Q22.

COMPANY OVERVIEW

Electrovaya is a leading manufacturer of safe and long-lasting LIBs with differentiated performance and safety attributes, according to the company. Electrovaya has two primary battery platforms: Infinity and SSB. The Infinity battery platform targets commercial vehicles, including lithium-ion e-forklifts, e-buses, 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 LIBs 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 SSB platform is under development and targeted to launch in 2024, focusing on creating the lowest initial \$/energy (kWh) and highest energy density. The target market for SSB will be e-passenger cars where a low initial cost (sticker price) is required. Electrovaya sells 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 (BMSs), software, and firmware necessary to deliver the systems. Electrovaya has substantial intellectual property in the LIB sector, with more than 100 patents in its portfolio. In June 2021, a new operating division, [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 was founded in 1996 and is headquartered in Mississauga, Canada.

The Technology

Infinity Battery Platform: According to [Grand View Research](#), the global LIB market was valued at \$48.2 billion in 2022 and is expected to cross \$193 billion by 2030, representing a CAGR of 18.9%. 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 [Straits Research](#), the global SSB market was valued at \$0.8 billion in 2021 and is expected to cross \$13.1 billion by 2030, representing a CAGR of 36.4%. Electrovaya believes it is well-positioned for this next-generation battery technology. Its division, Electrovaya Labs, focuses on developing SSB technology, among others, and has targeted 2024 to debut its SSB platform.

Battery Management Systems: Electrovaya's fifth-generation BMS provides the highest levels of cell balancing, Internet of Things (IoT) functionality, and safety. It is reviewed and certified by UL to UL991 and UL1998 for specific applications, and it is available for both low- and high-volume battery systems. Electrovaya has launched a cloud-based battery analytics system for recurring revenues with a subscription model. The system monitors battery health, utilization, and charging to provide customers with optimized fleet and charging management.

The Markets

Material Handling: The global forklift market was valued at \$58.7 billion in 2022 and is expected to expand at a CAGR of [13.2%](#) from 2023 to 2030. 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 today. In addition, the company's customers have proven meaningful ROIs in material handling compared with lead-acid, showing paybacks as short as a month, opening a significant opportunity for new units sold and retrofits.

E-Mobility: In October 2021, Electrovaya announced a strategic supply agreement with e-bus and e-truck manufacturer [Vicinity Motor Corp.](#) for E.V. buses and fully electric VMC 1200 Class 3 trucks. Management believes this is opening a new market for their batteries, targeting further development and commercialization in this market.

ABOUT THE ANALYST



Shawn Severson

President & Co-Founder

Shawn Severson is President & Co-Founder of Water Tower Research. 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, and he 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's extensive professional experience also includes his former role as Managing Director of the Energy, Environmental and Industrial Technologies Practice at The Blueshirt Group, a leading investor relations and IPO advisory firm. Shawn holds a BA degree in Finance and Economics from Augustana College.

DISCLOSURES

Water Tower Research ("WTR") is a professional publisher of investment research reports on public companies and, to a lesser extent, private firms ("the Companies"). WTR provides investor-focused content and digital distribution strategies designed to help companies communicate with investors.

WTR is not a registered investment adviser or a broker/dealer nor does WTR provide investment banking services. WTR operates as an exempt investment adviser under the so called "publishers' exemption" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940. WTR does not provide investment ratings / recommendations or price targets on the companies it reports on. Readers are advised that the research reports are published and provided solely for informational purposes and should not be construed as an offer to sell or the solicitation of an offer to buy securities or the rendering of investment advice. The information provided in this report should not be construed in any manner whatsoever as personalized advice. All users and readers of WTR's reports are cautioned to consult their own independent financial, tax and legal advisors prior to purchasing or selling securities.

The analyst who is principally responsible for the content of this report has represented that neither he/she nor members of his/her household have personal or business-related relationships to the subject company other than providing digital content and any ancillary services that WTR may offer.

Unless otherwise indicated, WTR intends to provide continuing coverage of the covered companies. WTR will notify its readers through website postings or other appropriate means if WTR determines to terminate coverage of any of the companies covered.

WTR is being compensated for its research by the company which is the subject of this report. WTR may receive up to \$14,000 per month [for research and potentially other services] from a given client and is required to have at least a 1-year commitment. None of the earned fees are contingent on, and WTR's client agreements are not cancellable for the content of its reports. WTR does not accept any compensation in the form of warrants or stock options or other equity instruments that could increase in value based on positive coverage in its reports.

WTR or an affiliate may seek to receive compensation for non-research services to covered companies, such as charges for presenting at sponsored investor conferences, distributing press releases, advising on investor relations and broader corporate communications and public relations strategies as well as performing certain other related services ("Ancillary Services"). The companies that WTR covers in our research are not required to purchase or use Ancillary Services that WTR or an affiliate might offer to clients.

The manner of WTR's potential research compensation and Ancillary Services to covered companies raise actual and perceived conflicts of interest. WTR is committed to manage those conflicts to protect its reputation and the objectivity of employees/analysts by adhering to strictly-written compliance guidelines.

The views and analyses included in our research reports are based on current public information that we consider to be reliable, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness, timeliness, or correctness. Neither we nor our analysts, directors, officers, employees, representatives, independent contractors, agents or affiliate shall be liable for any omissions, errors or inaccuracies, regardless of cause, foreseeability or the lack of timeliness of, or any delay or interruptions in the transmission of our reports to content users. This lack of liability extends to direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, losses, lost income, lost profit or opportunity costs.

All investment information contained herein should be independently verified by the reader or user of this report. For additional information, all readers of this report are encouraged to visit WTR's website www.watertowerresearch.com.