

2nd October 2023

EQUIPMAKE HOLDINGS PLC



Full Year Results

Equipmake Holdings PLC[#]

BBG Ticker: EQIP ASE

Price: 9.5p/sh.

Mkt Cap: £78m

BUY

Year to May	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (pence)	DPS (pence)	EV/Sales (x)
2023A	5.1	-4.5	-4.8	-0.6	n/a	14.5
2024E	13.4	-4.6	-5.3	-0.6	n/a	5.5
2025E	24.0	-1.9	-2.4	-0.3	n/a	3.1
2026E	36.6	1.2	0.5	0.0	n/a	2.0

SOURCE: Company Data, VSA Capital Research.

Technology Driving EV Performance/Efficiency

Equipmake (EQIP ASE) is a UK-based technology company which designs and produces high performance electric motors, inverters, control software, battery management and pack technology. These are offered standalone, as complete systems for new EV designs or retrofit (“repower”) to existing vehicles across the heavy transport, cars, aerospace, and marine markets. Today, the Company has reported results for the year ending May 2023 (FY 2023). The results were in line with our expectations with revenue growth of 36% to £5.1m, a gross profit of £1.2m (vs. gross loss of £2.4m in FY 2022) and an adjusted net loss flat at £4.7m. End cash closed at £7.0m. As at September end 2023, EQIP already had a contracted order book of £9.2m supporting our FY 2024 forecasts. Given strong growth in demand, EQIP has secured a flexible lease on a second UK production facility.

International Opportunity

In April 2023, the Company announced an agreement with Switzerland based aerospace company **H55** to provide lightweight power dense motors for electric aircraft development. During May 2023, EQIP signed its first technology licensing agreement with India-based **Sona Comstar**, a global automotive systems and components manufacturer, for certain EQIP EV technologies for applications in electric cars, buses and commercial vehicles and in the rapidly growing Indian market. Also in May 2023, the Company showcased its Ampere 220 eAxe. EQIP states that the power to weight density of the technology is more than double that of a conventional electric motor. Applications are across international markets in automotive, aerospace, and marine.

Recommendation and Target Price

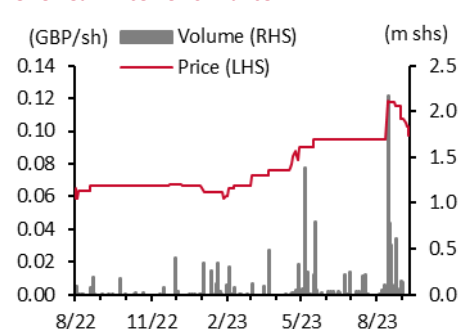
The Company has leading edge transport electrification technologies, growth market exposure, is winning new contracts including a £1.75m contract announced last week and is growing internationally. An EV/Revenue valuation for the Transitional Energy Technologies sector, combined with EV Technologies sector is weighted at 60%. Our DCF, based on explicit forecast cashflows, is weighted at 40%. On a blended basis, we value EQIP at an EV of £108.4m and market capitalisation of £115.4m (given reported end cash of £7.0m for May 2023 end).

Buy. 12-month Target Price of 12.2 p/sh.

Group Description

An EV powertrain technology Company.

One Year Price Performance



Price % chg	1month	3month	12month
	-11.6%	0.0%	43.4%

12million high/low 0.119p/0.059p

SOURCE: Eikon, as of 29 September 2023 close.

Market:	London Aquis
Shares in issue	948m
Target Price (£/sh.)	12.2p
Free float:	96%
Net cash (May 2023):	£7.0m
Enterprise value:	£71.0m

Major shareholders

Ian Foley (CEO, Founder)	39.6%
ARC Co. Ltd	13.2%
Schroder Investment Mgt.	10.6%

Phil Smith,

Head of Technology

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#VSA Capital acts as Joint Broker to Equipmake Holdings PLC.

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Electric Bus Market a Lead Opportunity

EQIP is initially focused on the burgeoning electric bus (eBus) market as an international, scalable opportunity. There are two significant market drivers for EQIP's market in the conversion of existing diesel buses to electric; 1) the need to significantly reduce city transport emissions through electrification of transport; 2) the cost of retrofitting technology to an existing diesel bus to produce an electric one is estimated by EQIP to be half that of purchasing an all-new electric bus. The Company estimates that repowering an existing Internal Combustion Engine (ICE) bus, using its electrification platform, is a compelling proposition for fleet operators given that each conversion comes in at **less than half the price of a new electric bus**. Data from the European Automobile Manufacturers' Association, or ACEA, cited that 684,285 buses are in circulation in Europe and that 1.0% of the fleet is all electric. 29,941 were new buses and coaches were registered in 2021. 68.8% of all new buses sold are powered by diesel and 10.6% were hybrid or all electric buses. The average age of the European bus fleet is 12.8 years. EQIP notes that in the UK alone, there are approximately 6,000 non-electric buses currently operating that are between 6 and 10 years old which it sees as strong candidates for retrofitting its EV drivetrain technologies.

Major UK Opportunities

During FY 2023, EQIP commenced delivery of 12 electric repowers of Optare Versa buses to **First Bus**, the UK's second largest regional bus operator. Following the success of the Optare Versa project, **FirstGroup PLC (FGP LN)**, the parent of First Bus, awarded EQIP a follow-on contract for the repower of a Double Deck diesel vehicle. Under this agreement, FirstGroup has entered a letter of intent that following a successful trial period, it may engage the Company **for the conversion of several hundreds of vehicles**. The Company also has an agreement with **Transport for London (TfL)** to demonstrate a retrofit of a Routemaster vehicle. During November 2022, EQIP showcased a New Routemaster London bus which had been repowered by the Company replacing its hybrid powertrain with a zero-exhaust-emission powertrain (ZED) comprising 95% UK-built components. This electric version of the London bus is undergoing trials operated by **Metroline** in London. There are over 1,000 Routemaster buses in London. The Company estimates that if it won a contract to retrofit 500 TfL Routemaster buses, this could be worth £100m.

Winning New Contracts

More recently, in August 2023, EQIP announced a £1.5m contract with a new customer, **Newport Transport**, to repower 8 double decker buses utilising the EQIP ZED system with the first vehicle to enter service in early 2024. The eight buses scheduled for repowering consist of five diesel ADL E400s and three hybrid Volvo B5LHs with Wrightbus Gemini bodies, and each will be converted to incorporate the Company's cutting-edge, scalable Zero-Emission Drivetrain (ZED) technology, equipped with two 109kWh standard battery packs, offering two battery capacity sizes including 218kWh, providing a 90-mile daily range, and 382 kWh providing a 150-mile daily range. During September 2023, EQIP announced that it had been awarded a £1.75m contract by the world's largest sightseeing company, **Big Bus Tours Limited**, to repower a fleet of Ankaï London Buses utilising its integrated zero emission drivetrain system. This new contract is to repower 10 Ankaï double-deck sightseeing buses for use on tourist services around London and it includes 1 Ankaï London Bus which the Company is currently repowering and will be used by Big Bus for training and evaluation purposes. All of the buses are to be delivered by April 2024 i.e., within FY 2024.

Marketing in Asia and the Americas

EQIP is also entering new international markets, in both South America and Indonesia, and signed a non-binding MOU with **PT Transportasi Jakarta** and **PT Vektor Teknologi Mobilitas** for an implementation plan for an electric bus retrofit trial in Jakarta, Indonesia. EQIP delivered a fully electric bus to Buenos Aires, developed in partnership with Brazilian bus manufacturer **Agrale** and Argentinian coachbuilder **Todo Bus**. Buenos Aires has around 16,000 buses and Agrale has 50% market share through their partnership with Argentine coach builder Todo Bus.

Advanced Technologies Used in High Performance Automotive Applications

The Company has a £4.5m contract to supply front inverters for one of the major European automotive OEM's high-performance electric vehicles. We understand from EQIP that the vehicle is one of the fastest accelerating production cars in

the world. Delivery of the remaining units ordered in 2022 is expected by the end of FY 2023. According to EQIP, under the supply agreement, further orders will be issued annually, with the final order being issued no later than January 2026. The Company could secure further interest for its EV technologies for application in the automotive sector and it is actively marketing to a number of OEM's and major Tier 1 suppliers.

Shipments for U.S. Fire Trucks Commence

The Company has an agreement with UK based **Emergency One Group Ltd**, the largest provider of fire trucks in the UK with a market share of over 80%. EQIP's first project with Emergency One is to provide a fully integrated system to one of the largest U.S. fire truck manufacturers. The first vehicle, using its electrification platform, was delivered by Emergency One to U.S. based **REV Group (NYSE REVG)**, in February 2022. EQIP has received further orders from **Emergency One (UK) Limited** to supply EV products and systems for fire trucks into the US and UK markets. Given the significant scale of the U.S fire services with over 52,000 fire stations and opportunity to convert to electric vehicles, we could see far higher volumes as REV Group drive sales.

Ultra-Lightweight, Power-Dense Electric Motors for Space, Aerospace & Marine

In March 2023, the Company announced the HPM-400, an advanced high power, short duration motor designed for high-performance space, aerospace, and marine applications. The motor was originally specified as a high-performance rocket fuel pump for Australian Company, Gilmour Space Technologies, for use in its Eris rocket programme. According to the Company, the maximum motor speed is 20,000rpm and the peak power/torque 400kW/250Nm. The electric motor mass is 30kg is integrated with a silicon carbide inverter which weighs only 10kg, and the entire system weighs just 40kg. Given the high power and low weight, **EQIP believes that the HPM-400 is the most power dense electric motor in the world.** In aerospace, the Company has delivered bespoke motors and inverters to **Vertical Aerospace Group Ltd (EVTL NYSE)**, for prototype electric aircraft build. In June 2023, the Company announced that it had agreed to a production technology partnership with Switzerland based H55, a leading electric aerospace propulsion company. EQIP will support H55 on its customer program with aircraft manufacturer **BRM AERO**, on the Bristell B23 Energic aircraft. In July 2023, Equipmake announced that in collaboration with **BAR Technologies** it had supplied an advanced e-powertrain system for a world-first electric hydrofoil boat.

UK Government Grant Funding

Over the last 10 years, UK Government support, through various Research & Development (R&D) programmes, has been important to Equipmake's development. However, as the Company is now enjoying successfully commercialising its technologies, during FY 2023, 97.7% of revenue was delivered from commercial contracts, up from 72.1% in the previous period. UK government affiliated agencies, most notably Innovate UK and the Advanced Propulsion Centre are strongly supporting the transition towards net zero and in FY 2023, EQIP secured grant funding of up to £1.6m, on a matched funding basis, under the UK's Hydrogen Electric Integrated Drivetrain Initiative (HEIDI). This funding is to facilitate the development of an integrated Hydrogen fuel cell battery hybrid system, featuring EQIP's motor, inverter, and related technologies for use across multiple vehicle systems including buses, goods and passenger vehicles. We anticipate that the funding will be received across FY 2024, FY 2025 and FY 2026.

Multiple Revenue Streams

The Company has five main revenue streams:

Powertrains: EQIP provides and fits its whole electric powertrain (the EQIP Zero Emission Drive ZED platform) to convert existing fossil fuel powered vehicles to EV's. End markets are existing vehicle fleet owners, specifically major bus operators that are seeking to fully electrify existing diesel, petrol and hybrid fleets.

EV Technologies: this comprises revenues from the sale of complete electric powertrains, control software and EQIP motor, inverter and VCU and BMS technologies. Markets addressed are across automotive, marine, and aerospace.

Engineering projects: the Company, given its expertise in electrification technologies, is requested to undertake specific design and development for customer prototypes. EQIP charges for these development services (under EQIP's Prototype Engineering activities) and retains the IP arising from its work. Given the high value add to clients of this work, EQIP secures a high gross margin, typically 50%.

Grants: as noted, the Company is attracting UK Government grant funding for its advanced technologies.

Technology Licensing: EQIP has 26 patents of which 17 have been granted. Licensing the EQIP technologies enables clients to reduce EV platform development engineering risk, design and development costs, product approval and certification timescales and launch costs.

In the table below we have summarised the FY 2023 results and our forecasts for revenues from each EQIP business segment. As can be seen, near-term we expect the largest profit driver to be from the growth in demand for repowering fossil fuel buses with the Company's electric powertrains. Equipmake is also in the early stages of growing sales in EV Technologies, including electric motors and inverters, into the automotive and aerospace sectors. Given the longer design-in timescales for these markets, we expect demand for EV Technologies to materially increase from FY2025 (year commencing June 2024).

Forecast Summary

Revenue £m, May y/e	2023A	2024E	2025E	2026E
Powertrains	1.7	9.4	16.5	27.3
EV Technologies	1.6	1.7	3.5	5.5
Engineering Projects	1.3	1.7	3.0	3.0
Grants	0.1	0.6	0.8	0.1
Licensing / Royalties	0.3	0.0	0.2	0.3
Group				
Group Revenue £m's	5.1	13.4	24.0	36.2
Revenue growth %		166%	79%	51%
Gross Profit £m's	1.2	2.8	6.7	10.9
Gross margin		21.2%	27.8%	30.2%
Gross Margin excluding grant income		26.9%	32.0%	30.6%

SOURCE: Company Data, VSA Capital Research.

Revenue: EQIP reported FY2023 (year-end May 2023) revenue of £5.1m and ended September with an order book of £9.2m. We see this order book supporting our estimated revenue for FY2024 of £13.4m (see table above). For FY2025, we estimate that of the £24.0m revenue, £16.5m will come from supplying full systems, including retrofitting, for 74 buses and 12 fire engines. We also anticipate revenues from EV Technologies to rise from £3.5m in FY2025 to £5.5m in FY2026 with volumes shipped rising from 146 units to 245 units.

Gross margins: the gross margin in any financial period is going to depend upon revenue mix. Our cost of goods sold estimates primarily include materials, manufacturing, assembly, and engineering costs; the cost intensity depending on the business segment. We anticipate the gross margin falling in FY2024 to 21.2% from 23.9% in FY2023 as the Company expends costs that are funded by grant income. Excluding grant income, the FY2024 margin would be 26.9%. On rising volume, we forecast the gross margin to increase 27.8% in FY2025 and 30.2% in FY2026.

Operating costs: by the close of FY2023 the Company's headcount had grown to 94 full time staff (FY2022: 73) of which 40 are professional engineers. FY 2023 Sales, General and Administration (SG&A) costs rose from £1.9m to £6.0m in FY2023. We estimate, on increased investment to support development and sales, SG&A costs rising to £8.1m in FY2024, £8.6m in FY2025 and, in FY2026 £9.5m to represent 26% of revenue. The Company is supplying the transport markets and must provide for and support vehicle warranties. We understand from management that it is prudent at this stage to allow for a P&L warranty expense of 4.5% of revenue in FY2024, mainly in relation to buses. Given the early-stage nature of EQIP's revenues and investment for growth, we are not estimating the Company to generate a positive EBIT until FY2026. The FY2023 EBIT loss was £5.1m. For FY2024, FY2025 and FY2026 respectively EBIT losses of -£5.3m and -£2.4m moving to a profit of £0.5m.

Net profit/loss: the FY 2023 net loss adjusted for share based payments was £4.7m. For FY2024, FY2025 respectively, we forecast -£5.4m, -£2.5m. For FY2026, we forecast a maiden net profit of £0.4m. The FY 2023 EPS net loss per share was -0.6p. For FY 2024 and FY 2025 respectively, we estimate -0.6p and -0.3p. For FY2026, when we forecast the Company to move into profit, we estimate an EPS of 0.05p per share.

Cashflow: FY2023 saw a net operating cash outflow of £9.0m, capital expenditure of £1.3m, including R&D capitalisation of £0.8m, this to result in an overall free cash outflow of £10.2m. FY2023 saw the business raise £20.0m inclusive of costs. This comprised £3.8m from a loan note which later converted, £10.0m on IPO in September 2022, and a subsequent £6.2m equity raise in January 2023. Post overall £15.4m of cash income from financing, FY2023 end cash increased from £1.9m to £7.0m.

As revenues rise and losses reduce, we estimate a £4.9m cash outflow in FY2024, £1.2m outflow in FY2025 and £2.1m inflow in FY 2026 to close with end cash of £3.1m.

Valuation

For FY2024 and FY2025 respectively, we forecast revenue to grow to £13.4m and £24.0m, from rising system sales in heavy transport and growth in revenues from electric motor, inverter, and battery pack technologies. We estimate that EQIP will move into profit in FY2026 producing an EBIT of £0.5m as volumes rise into the longer-design in timescale vehicle OEM markets. Our valuation, to set a 12-month price target, is based on a blend of two valuation methods: EV/Revenue and a DCF to be able to factor the strong future growth potential.

To derive relevant peer group EV/Revenue multiples, we have looked at two peer groups: Transitional Energy technologies and EV technologies & eAxle. **Transitional Energy technologies:** includes technologies for the transition including those for vehicles but also the electricity grid including fuel cells, electrolysers, batteries, and EV charging. **Electric Vehicle technologies and eAxles:** suppliers of electric vehicle technologies such as electric motors, inverters, BMS, battery packs, control software and complete eAxles integrating such technologies. Given that a number of our peer comparison companies are loss making, as is EQIP currently, we have not considered comparisons of earnings multiples such as EV/EBITDA. Our two peer groups produce respective multiples of EV/Revenue multiples of 3.7x and 2.6x. Our DCF, which involves longer-term forecast risk is shown below.

Discounted Cash Flow Valuation

Discounted cashflow £m's	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Sales	13.4	24.0	36.6	51.7	70.5	95.6	125.1	153.8	183.9	214.1
% Change	-5.3	-2.4	0.5	2.1	6.2	10.9	15.4	20.5	26.3	32.0
EBIT	0.6	0.4	0.6	2.2	2.6	3.5	3.6	4.4	5.3	6.1
EBIT Margin	0.9	0.8	0.3	-1.3	-2.9	-3.8	-4.5	-4.4	-4.6	-4.6
D&A	0.6	1.0	1.8	3.4	4.7	6.2	7.9	9.5	11.1	12.7
Change in working capital	-0.1	-0.2	-0.4	-0.7	-0.9	-1.2	-1.6	-1.9	-2.2	-2.5
Warranty provision	-2.0	-0.2	-0.2	-3.0	-3.5	-4.8	-5.0	-6.2	-7.4	-8.6
Warranty - cash paid	0.4	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Capital Expenditure	0.0	-0.1	-0.1	-0.5	-1.6	-2.7	-3.9	-5.1	-6.6	-8.0
RDEC tax credits	-4.9	-0.1	3.1	2.8	5.2	8.6	12.6	17.4	22.5	27.7
Cash tax	13.4	24.0	36.6	51.7	70.5	95.6	125.1	153.8	183.9	214.1
FCFF to Equity	-5.3	-2.4	0.5	2.1	6.2	10.9	15.4	20.5	26.3	32.0
WACC	11.8%									
Discount factor	0.89	0.80	0.72	0.64	0.57	0.51	0.46	0.41	0.37	0.33
Discounted cash flow	-4.4	-0.1	2.2	1.8	3.0	4.4	5.8	7.1	8.3	9.1
10-year NPV £m's	37.2									
Terminal value (TV) £m's	154.6									
EV £m's	191.8									
2023 May end cash £m's	7.0									
Equity value £ m's	198.9									
Number of shares m's	948.2									
DCF price per share (p)	21.0									

Source: Company Data, VSA Capital Research.

The explicit forecast period provides a Net Present Value (NPV) of £37.2m and a terminal value of £154.6m. However, the GDP growth rate assumed for the perpetuity factor for the terminal value calculation can be very subjective; we have used 2.0% (7.0% nominal including inflation expectation), which is conservative given expectations longer term for global electric transportation growth. We also assume that the Company over time achieves the low double percentage digit EBIT margin

seen in the wider automotive technologies sector. Our overall DCF valuation, using moderate assumptions for the Weighted Average Cost of Capital (WACC) and growth rates.

Opportunity to Exceed Forecasts and Unlock Further Valuation Upside

The business is at an early stage of commercialisation and yet already has rising momentum. The second UK facility will have capacity to undertake 200 repower per annum. To understand the potential revenue, the £1.75m contract announced last week is for 10 vehicles taking EQIP full electrification platforms. Many of the early contracts that EQIP has achieved to date are effectively trial orders within much larger markets; our forecasts do not reflect the full potential in the medium to long term. For example, the two UK main fleets, **First Bus** and **TfL** together present an opportunity, should trials prove successful for numbers in the 100's. This will require further investment in technology build capacity and investment by EQIP but would see our estimates exceeded. As we already note EQIP has received further orders from **Emergency One (UK) Limited** to supply EV products and systems for fire trucks into the US and UK markets. We, conservatively estimate 8 units for FY 2024 and 12 for FY 2025 and yet the U.S. has 52,000 fire stations, we assume with many 1000's of fire engines that could, as buses are now doing, transition to electric.

EQIP produces patented motors, inverters, software and battery systems (EV Technologies). The technologies, optimised to work together for maximum performance supplied as a platform or as separate components - EQIP is just supplying inverters for the European electric supercar project. This project alone, for a low volume high-end EV, supported the Company's EV Technologies segment revenues of £1.6m in FY 2023. Many passenger car OEMS's are developing high-end sports EV's – this presenting future growth opportunity for the Company.

All could provide upside to our DCF forecasts indicating the potential to unlock value and increase our target valuation.

Our DCF produces a market capitalisation of £199m and DCF price per share of 21.0 p/sh.

Based on our FY2024 and FY2025 estimates, we have used an EV/Revenue valuation for the Transitional Energy Technologies sector, combined with EV Technologies sector and weighted at 60%. Our DCF, based on explicit forecast cashflows, is weighted at 40%. The resultant valuation can be seen in our Sum of The Parts table below:

Sum Of The Parts (SOTP) Valuation

	EV/ Revenue FY1	Revenue £m's FY1	Implied EV £m's FY1	EV/ Revenue FY2	Revenue £m's FY2	Implied EV £m's FY2	Average implied EV (FY1 & FY2)	Valuation Weighting	Valuation Contribution £m's
Transitional Energy Technologies	3.7	13.4	49	2.0	24.0	49	49	30.0%	14.7
eAxe Technologies	2.6	13.4	35	2.5	24.0	59	47	30.0%	14.2
DCF implied EV							199	40.0%	79.6
12-month implied EV									108.4
Net Cash £m's									7.0
12-month Market Capitalisation target £m's									115.5
Basic number of shares in issue									948
12 months share price target pence									12.2
Current share price pence									9.5
Upside/(Downside)									28.6%

Source: Eikon, VSA Capital Research.

We are, on a blended basis, valuing EQIP at an EV of £108.5m and market capitalisation of £115.5m (given reported end cash of £7.0m for May 2023 end). **Buy. Target price 12.2 p/sh.**

Key Risks

- **Earlier stage business:** EQIP is in the initial stages of producing and retrofitting full electrification systems and could incur delays, increased costs while key components may not be supplied on time. Contracts anticipated may not be won. The Company may require additional external financing in the future.
- **Technology Development:** the Company must continually invest in R&D of its products to remain competitive. If any of the Company's products fail to achieve regulatory certification or pass testing processes, it could impact commercialisation timescales.
- **IP Infringement:** EQIP has patents both approved and pending. The Company's success depends in part on its ability to protect its rights in its intellectual property and proprietary expertise.
- **Potential product liability:** some of the Company's activities may expose it to potential product liability and professional indemnity risks, as well as litigation and reputational risks.
- **Planned manufacturing expansion:** EQIP intends to further expand its manufacturing capacity to scale up the business and meet anticipated future demand. There is a risk that this expansion takes longer than expected.
- **Entry into new geographic territories:** incurs additional risk in addition to usual expansion challenges, including distance, language, and cultural differences; FX, legal or regulatory restrictions.

Financial Forecasts

Profit & Loss (£m)

Profit & Loss £m's	May year end	2022A	2023A	2024E	2025E	2026E
Revenue		3.7	5.1	13.4	24.0	36.6
Revenue growth %		2.9%	0.0%	165.5%	78.6%	52.7%
Cost of Sales		-6.1	-3.8	-10.6	-17.3	-25.5
Gross Profit		-2.4	1.2	2.8	6.7	11.2
Gross Profit Margin		-64.2%	23.9%	21.2%	27.8%	30.5%
Selling General and Administration		-1.9	-6.0	-8.1	-8.6	-9.5
Other operating income (inc. RDEC)		0.6	0.3	0.6	0.6	0.6
Share based payment charge		-0.6	-0.4	0.0	0.0	0.0
Warranty provision		0.0	-0.2	-0.6	-1.0	-1.8
Fair value adjustment - convertible loan note		-0.8	0.0	0.0	0.0	0.0
Operating costs		-2.7	-6.4	-8.1	-9.0	-10.6
EBIT		-5.1	-5.1	-5.3	-2.4	0.5
EBIT Margin %		n/m	n/m	n/m	n/m	1.5%
EBIT Adjusted (for share payments)		-4.5	-4.7	-5.3	-2.4	0.5
EBITDA adjusted		-4.3	-4.5	-4.7	-1.9	1.2
Interest		-0.1	-0.1	0.0	0.0	0.0
PBT reported		-5.2	-5.2	-5.3	-2.4	0.5
PBT adjusted		-4.6	-4.8	-5.3	-2.4	0.5
Tax Rate		0.0%	0.0%	-1.9%	-4.3%	18.4%
Tax		-0.1	0.1	-0.1	-0.1	-0.1
Net profit (loss)		-5.3	-5.1	-5.4	-2.5	0.4
Net profit (loss) adjusted		-4.7	-4.7	-5.4	-2.5	0.4
Basic number of shares		208.3	811.2	948.2	948.2	948.2
Weighted average number of shares (m)		208.3	811.2	948.2	948.2	948.2
Basic EPS (pence)		-2.2	-0.6	-0.6	-0.3	0.0
Adjusted EPS Weighted Average (pence)		-2.3	-0.6	-0.6	-0.3	0.0

SOURCE: Company data, VSA Capital Research.

Cash Flow (£m)

Cash flow £m's May year end	2022A	2023A	2024E	2025E	2026E
Net profit	-5.3	-5.1	-5.4	-2.5	0.4
Depreciation	0.2	0.2	0.5	0.3	0.5
Amortisation	0.0	0.0	0.1	0.1	0.1
Net interest	0.1	0.1	0.0	0.0	0.0
RDEC/SME R&D Tax credit	-0.4	-0.3	-0.6	-0.6	-0.6
P&L tax charge	0.1	0.0	0.1	0.1	0.1
Share based payment charge	0.6	0.4	0.0	0.0	0.0
Fair value losses on convertible note	0.8	0.0	0.0	0.0	0.0
(Increase)/Decrease Inventories	-0.8	-2.2	-1.1	0.1	0.0
(Increase)/Decrease Trade and Other Receivables	-0.4	-2.1	0.6	-0.2	-0.7
(Decrease)/ Increase Trade and Other Payables	0.6	-0.2	1.4	0.9	1.0
Change in working capital	-0.6	-4.4	0.9	0.8	0.3
Warranty provision charged	0.0	0.2	0.6	1.0	1.8
Warranty provision used	0.0	0.0	-0.1	-0.2	-0.4
Cash From Operations	-4.6	-9.0	-3.9	-1.0	2.2
RDEC tax received	0.4	0.0	0.4	0.6	0.6
Cash tax paid	0.0	0.0	0.0	-0.1	-0.1
Interest Paid	0.0	0.0	0.0	0.0	0.0
Interest Received	0.0	0.0	0.0	0.0	0.0
Net Cash From Operations	-4.2	-9.0	-3.5	-0.5	2.7
Capital expenditure	-0.1	-1.2	-2.0	-0.2	-0.2
Cash From Investment	-0.1	-1.2	-2.0	-0.2	-0.2
Proceeds from share placing	0.0	20.0	0.0	0.0	0.0
Conversion of convertible loan	0.0	-3.8	0.0	0.0	0.0
Commission on raise	0.0	-0.8	0.0	0.0	0.0
New convertible loan	3.0	0.0	0.0	0.0	0.0
New hire purchase loans	0.0	0.1	1.0	0.0	0.0
Repayment of finance leases	-0.1	-0.1	-0.3	-0.4	-0.4
Repayment of HP	0.0	0.0	-0.1	-0.1	0.0
Dividends paid	-0.4	0.0	0.0	0.0	0.0
Cash From Financing	2.5	15.4	0.6	-0.5	-0.4
Change in Cash	-1.9	5.2	-4.9	-1.2	2.1
Cash and cash equivalents at start of period	3.8	1.9	7.0	2.1	0.9
FX Adjustments	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents at the end of period	1.9	7.0	2.1	0.9	3.1

SOURCE: Company data, VSA Capital Research.

Balance Sheet (£m)

Balance sheet £m's	May year end	2022A	2023A	2024E	2025E	2026E
Property and plant		0.5	0.8	2.3	2.2	1.9
Intangible/Goodwill assets		0.0	0.8	0.9	0.8	0.7
Assets		0.5	1.6	3.1	2.9	2.5
Inventories		0.8	3.0	4.1	4.0	4.0
Trade receivables and Prepayments		1.9	4.4	3.8	4.0	4.7
Cash & Equivalents		1.9	7.0	2.1	0.9	3.1
Current Assets		4.6	14.4	10.0	8.9	11.8
Trade Payables		-0.8	-0.5	-0.9	-1.4	-2.1
Tax		0.0	-0.1	0.0	0.0	0.0
Other creditors		0.0	-0.2	0.0	0.0	0.0
Lease liabilities		-0.1	-0.2	-0.9	-0.5	-0.1
Accruals and deferred income		-1.1	-1.0	-2.2	-2.5	-2.8
Convertible loan		-3.8	0.0	0.0	0.0	0.0
Current Liabilities		-5.8	-2.0	-4.0	-4.5	-5.0
Existing HP liabilities		-0.3	-0.3	-0.1	0.0	0.0
Warranty provision		0.0	0.0	-0.8	-1.8	-3.6
Warranty provision utilised		0.0	0.0	0.2	0.4	0.7
Liabilities		-0.4	-0.2	-0.8	-1.5	-2.9
Net assets		-1.0	13.8	8.4	5.9	6.4

SOURCE: Company Data, VSA Capital Research.

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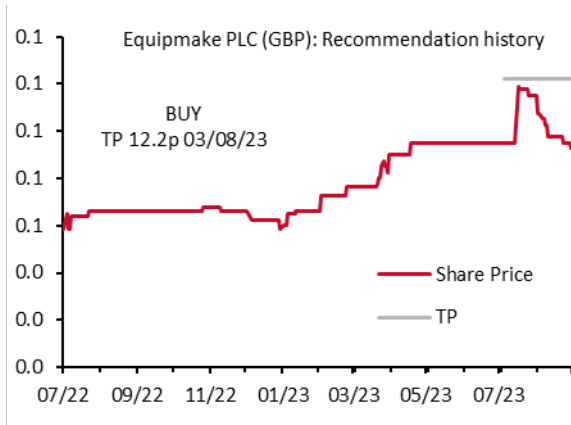
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Equities breakdown: 02/10/23	BUY	SPEC BUY	HOLD	SELL
Overall equities coverage	86%	14%	0%	0%
Companies to which VSA has supplied investment banking services	100%	100%	n/a	n/a

Recommendation and Target Price History



Valuation basis

Our valuation, to set a 12-month price target, is based on a blend of two valuation methods: EV/Revenue and a DCF.

Risks to that valuation

Component pricing and supply risk, execution risk, financing risk, regulatory risk, product liability risk, IP infringement risk and new territory entry risk.

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