



9th October 2023



VSA Morning Technology Comment

Equipmake Holdings (EQIP ASE)

Selection by Perkins Engines (Caterpillar Inc. owned) to Collaborate on a Project to Demonstrate An Off-Highway Hybrid Vehicle System & Award of £3.24m UK Government Funding

Equipmake Holdings (EQIP ASE) has today announced that **Perkins Engines Company Ltd** is to leverage EQIP's e-powertrain technology and expertise on a new off-highway hybrid system demonstration project. Perkins is a wholly owned subsidiary of **Caterpillar Inc.**, the world's leading manufacturer of construction and mining equipment, off-highway diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. EQIP is a UK-based technology company which designs and produces high performance electric motors, inverter, control software, battery management and pack technology. End markets are across heavy transport, cars, aerospace, and marine markets.

The Company, alongside Perkins and Loughborough University will collaborate on a project to design, develop and demonstrate a range of lower carbon, hybrid power systems for the off-highway sector. EQIP will completely design and develop in house a bespoke, heavy-duty hybrid electric system, featuring its high torque density electric motor and inverter technologies, and establish initial production capability.

The hybrid power unit is being designed to be able to run on multiple lower carbon intensity fuels such as bio-methanol, eFuels or zero-carbon fuels such as hydrogen. The power unit will feature a state-of-the-art bespoke-designed high torque density electric motor and inverter, alongside all associated power electronics.

- This 'multi-fuel drop-in' lower carbon hybrid power unit as an alternative to existing diesel powertrains.
- It will enable a wide range of specialist OEMs to accelerate their transition to lower carbon fuels and electrification in the off-highway sector.
- As EQIP note today, the programme will provide EQIP access to a global off-highway market, with potential annual volumes in excess of thousands of units per annum.
- Development has began and is set to last 42 months with product demonstration planned for 2027.

According to today's announcement, the project is to be led by Perkins and the programme has been awarded £11.0m in funding by the UK Government's Advanced Propulsion Centre (APC). EQIP will receive total of £3.24m of the funding which will be paid quarterly in arrears from Q1 2024.

World Class Technologies

The Company develops world class technologies. In passenger vehicles, EQIP is already supplying high-performance technology to a European electric hyper car programme and seeing increasing interest from vehicle OEM'S. EQIP's electric powertrain is now being fitted into the first of twelve electric repowers of Optare Versa buses to **First Bus**, the UK's second largest regional bus operator. In March 2023, the Company announced the HPM-400, an advanced high power, short duration motor designed for 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.

Phil Smith,
Head of Technology
+44 (0)20 3617 5187 |
psmith@vsacapital.com

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.

Perkins (Caterpillar Inc.) Selection a Significant Validation of EQIPs' Technologies and Future Global Opportunity

This is a very exciting project. Perkins is wholly owned by Caterpillar Inc, one of the largest global producers of off highway vehicles including trucks, excavators, loaders and diggers. Caterpillars global installed base is 4m units. Perkins was established in the UK over 90 years ago and has grown to one of the largest global providers of diesel engines across the industrial, material handling, construction, power and marine markets. As EQIP notes today, "This project also represents a key element of our strategic development at EQIP, giving us access to a global off-highway market through this decarbonisation technology, and over time a significant extension in our volume production capabilities. It also further underlines EQIP's position as a leading provider of state-of-the-art electrification systems to multiple industries. Programme will provide EQIP access to a global off-highway market, with potential annual volumes in excess of thousands of units per annum."

Given already strong growth in existing demand, EQIP, in FY 2023 (May end period) secured a flexible lease on a second UK production facility.

Valuation

The APC funding announced today, helps to support revenues, though the Company will be expending development costs and so we see no bottom line impact near term. 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 see a move into profit in the year ending May 2026 with revenue of £36.2m and EBITDA of £0.9m. The Perkins product is set for launch in FY 2027 and could offer significant revenue growth for EQIP. 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. 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%. We are, on a blended basis, valuing 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. Target price 12.2 p/sh

Stock Information

Stock	BBG TKR	Exchange/ Currency	Mkt Cap (m)	Last Close (p)	Rec	TP	Date of Recommendation
Equipmake Holdings PLC	EQIP NXX	AQSE (£/p)	95	174	BUY	12.2	03/08/23

NOTE: #VSA house stock. **SOURCE:** Eikon, VSA Capital estimates. Pricing as of last close.

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Equities breakdown: 31 August 2020	Spec. BUY	BUY	HOLD	SELL
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