

# Battery storage company Electrovaya “still trading below its intrinsic value”

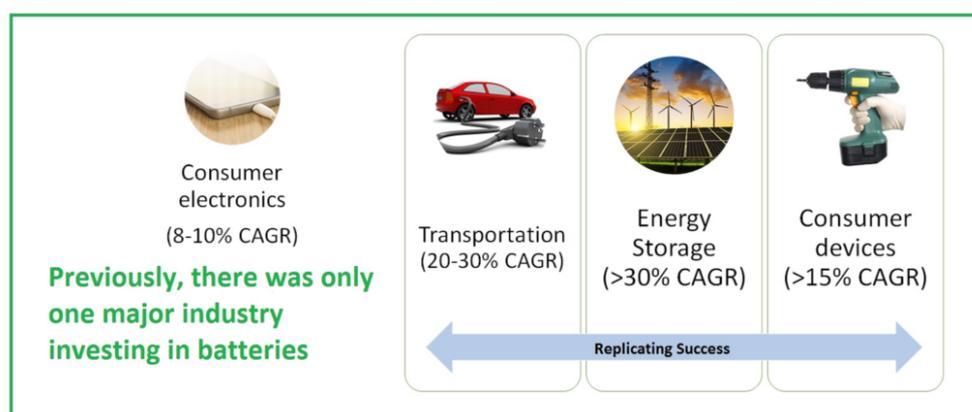


Figure 1

[Electrovaya Inc.](#) (TSX: EFL | OTCQX: EFLVF) is a Canadian company which designs and manufactures battery systems intended for the transportation, stationary storage and mobile computing markets, each of which is expected to exhibit double digit growth over the next eight years (Figure 1).

Electrovaya represents the largest producer of lithium-ion components in Europe. The company rests on green credentials with a corporate mission to contribute to the fight against climate change with safe and long-lasting products created through non-toxic processes. Since May 2016 along some \$470 million (CAD) worth of deals have been struck in letters of intent and memoranda of understanding beginning in Q4 2016 and Q1 2017, including one [three-year contract](#) with a European manufacturer worth \$288 million (CAD) alone, meaning these deals should come into fruition over the coming years.

In their most recent news ([14<sup>th</sup> November 2016](#)) Electrovaya have produced a new lithium-ion ceramic product line to enter into the forklift market, introducing new products for Class I and

II forklifts. This market breached sales volumes of one million units for the first time in 2014, following an annual increase of some 7.5%. Naturally, China has seen the largest growth at 9.4% per annum, although European and American markets continue to share in similar advances. Electrovaya's new product line for this market is therefore eminently timely.

The forklift market is dominated by outdated lead-acid batteries which struggle to respond to the today's growing demand for lighter and equipment with more power density. Electrovaya's 'ELivate' brand will help meet increased efficiency demands, powering more advanced vehicles which are entering the market.

The product line provides up to six times the life-cycle of leading alternative brands, and double that of comparable Lithium-ion products. ELivate is ready for market with initial trials already underway at multiple sites. A key feature of Electrovaya's product line is the SEPARION™ technology, which incorporates a membrane within lithium-ion batteries to maintain separation between the electrodes, improving performance at high-temperatures as well as significantly improving the overall safety and lifecycle of such batteries. An exclusive contract for the SEPARION™ technology was originally enjoyed by a leading German automobile company; however since this expired orders have been received predominantly from China, which alone is estimated to absorb some \$15 million worth of orders in 2016 as the country transitions from internal combustion to electric forklifts.

More generally, the recent performance of Electrovaya, not least following the acquisition of its German subsidiary Litarion GmbH, offers plenty of reasons to be optimistic about the group's future performance in light of the upcoming contracts. The acquisition gave Electrovaya the largest lithium-ion production plant in Europe, completing in April 2015 with immediate impacts upon Electrovaya's financial

performance. The company reported revenue increases of 900% between Q2 and Q3 in 2015, whereas in Q2 2016 Electrovaya reported revenue growth of 653% on the previous year, with similar significant increases in cash and net working capital. The company reinvests up to 42% of sales in research and development to maintain pace as a market leader, working to add to over 500 patents which are already held. As CEO Dr. Sankar Das Gupta comments, 'Electrovaya now has the technology and manufacturing capacity to become the world leader in clean Lithium Ion energy storage solutions.'

As of the 23 November, Electrovaya's share price climbed 1.9% to €1.50. On the 14th of November, following the [announcement](#) of the company's new lithium-ion ceramic product, the share price climbed to €1.59 from €1.29 on the news. While the price has pulled back a bit, the company has previously seen highs of around €3.00/share. As such, we feel that given the prospects for future products and market penetration, that at €1.50, the company share price is still trading below its intrinsic value.\*\*

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