

Sustainability: eMobility
Company Update

Estimates Changed, Target Price Changed

Vision Marine Technologies Inc. | VMAR - \$1.01 - NASDAQ | Buy
Stock Data

52-Week Low - High	\$1.00 - \$5.60
Shares Out. (mil)	11.65
Mkt. Cap.(mil)	\$11.77
3-Mo. Avg. Vol.	77,406
12-Mo.Price Target	\$1.50
Cash (mil)	C\$3.4
Tot. Debt (mil)	C\$0.5

Rev (\$M)

Yr Aug	—2022—		—2023E—		—2024E—	
		Curr	Prev	Curr	Prev	
1Q	1.0A	1.0A	1.0A	2.3E	--	
2Q	0.6A	0.6A	0.6A	3.5E	--	
3Q	1.6A	1.0A	1.1E	4.3E	--	
4Q	2.6A	1.6A	2.4E	5.0E	--	
YEAR	5.8A	4.2A	5.1E	15.0E	15.8E	

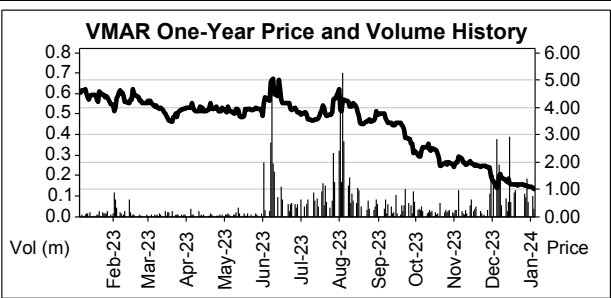
EPS \$

Yr Aug	—2022—		—2023E—		—2024E—	
		Curr	Prev	Curr	Prev	
1Q	(0.33)A	(0.60)A	(0.30)A	(0.23)E	--	
2Q	(0.40)A	(0.57)A	(0.29)A	(0.20)E	--	
3Q	(0.18)A	(0.23)E	(0.30)E	(0.18)E	--	
4Q	(0.33)A	(0.32)E	(0.24)E	(0.15)E	--	
YEAR	(1.24)A	(1.67)E	(1.12)E	(0.68)E	(0.45)E	

EBITDA

Yr Aug	—2022—		—2023E—		—2024E—	
		Curr	Prev	Curr	Prev	
1Q	(1.1)A	(4.4)A	(4.3)A	(1.9)E	--	
2Q	(3.4)A	(0.7)A	(3.1)A	(1.6)E	--	
3Q	(1.1)A	(1.8)E	(2.4)E	(1.4)E	--	
4Q	(1.9)A	(1.7)E	(2.2)E	(1.1)E	--	
YEAR	(7.4)A	(14.9)E	(11.9)E	(6.0)E	(5.0)E	
P/E	NM	NM	NM	NM	NM	

Note: VMAR reports in CAD; financials have been converted to USD. See model for conversion assumptions. EBITDA and EPS are adjusted.



VMAR: eMotion Progress is Material, But Near-Term Capital Access is a Focus

We expect a positive F1Q24 result from Vision Marine where progress raising capital will be the most important item for investors. We estimate after the two recent financings that VMAR still has insufficient cash to fund operations beyond the current quarter. That being said, mgmt is making material progress with the E-Motion, including orders under the formal supply agreement with Beneteau and an order from Wired Pontoons. We maintain our Buy rating in the context of recent E-Motion progress but lower our PT to \$1.50 (from \$6.00).

- **Vision Marine's financial results for F1Q24 (Nov) are likely a high alpha event given the tight balance sheet.** We model F1Q24 Rev/adj-EPS/adj-EBITDA of C\$3.0m/(C\$0.30)/(C\$2.5m) [or US\$2.3m/(\$0.23)/(\$1.9m)]. Our model assumes gross margins of 35% compared to 48% reported in F4Q23 and 7% in F1Q23, where a greater mix of rental revenue will likely contribute to improving profitability.
- **We expect VMAR to report F1Q24 (Nov) results the week of 15-Jan-24.**
- **E-Motion 180 sales to drive revenue growth.** In late 2023, VMAR announced its first delivery of its E-Motion 180 outboard motor to Groupe Beneteau under the formal supply agreement, as well as an initial purchase order from Wired Pontoons for 25 units. The company also announced the expansion of its rental operation with Blue Water Boat Rental, in Riviera Beach, FL, to include the use of the E-Motion, with the goal to reach 25 boats. We estimate the E-Motion will carry an ASP of over C\$75,000, and believe mgmt is seeing healthy demand for the motor as manufacturers and operators look to expand their offerings beyond traditional ICE engines.
- **We expect additional near-term financing activity, necessary to fund operations in calendar 2024.** VMAR raised \$1.5m on 18-Sept-23 issuing 372,870 units at a purchase price of \$4.05 per unit, including one common share and one warrant. The company also raised an additional \$2.9m on 21-Dec-23 issuing preferred and warrants. The 2,900 preferred shares issued at \$1,000 per share, are convertible to 952 shares of common stock at \$1.05 immediately following the close, or will convert automatically into common on 21-Dec-24 at the lesser of \$1.05 per share, or 80% of the five-day VWAP prior to conversion, subject to a \$0.30 floor. Both raises effectively had 100% warrant coverage at \$1.05 per share.
- **We split quarterly rev estimates for FY24 and lower estimates mainly for weaker GPM assumptions, partially balanced by reduced spend.**
- **We are lowering our target to \$1.50 (from \$6.00), using a 20x multiple on FY25 (Aug) estimated EPS of \$0.07.** We see the 20x multiple as appropriate for VMAR's growth potential and the market readiness of its technology, balanced by risks of new customer adoption.

VMAR Intraday Price: \$0.97 at 12:48PM ET

VALUATION

- **We are lowering our target to \$1.50 (from \$6.00), using a 20x multiple on FY25 (Aug) estimated EPS of \$0.07.** We see the 20x multiple as appropriate for VMAR's growth potential and the market readiness of its technology, balanced by risks of new customer adoption. We like Vision Marine's unique market position and demonstrated leadership setting the speed record for an electric boat. We expect near-term appreciation to be driven by catalysts including E-Motion commercial orders, commercial uptake of the Phantom, progress developing the new 300 horsepower E-Motion model, and expansion of the company's rental operations.
- Risks to the accomplishment of our price target likely come from potential deliveries of E-Motion units below our model, or from supply chain challenges that interrupt production and deliveries. The company also faces risks related to any emerging technology provider, where competitive risks, potential warranty issues, or factors impacting the sales channel could all have a material impact. Weather also has a material impact on the electric boat rental operations. Investors in Vision Marine also face risks related to the company's access to necessary growth capital, which could introduce volatility into the stock.

RISKS

- Investors in Vision Marine will face risks related to the company's access to capital, which could introduce volatility to the stock.
- Vision Marine's long-term performance depends on consumer choices supporting expansion of the market for all-electric boats, as well as outboard motors.
- The company's business model is dependent on various third parties to deliver raw materials, parts, components and manufacture its boats and outboard motor. Any delays or price fluctuations on the part of these suppliers could significantly impact Vision Marine's ability to launch mass production and eventually complete orders on a timely basis.
- Vision Marine derives significant value from its IP portfolio. An inability to protect its IP could have a material impact on the company's competitive positioning.
- Macro-economic risks that might impact growth in the automotive sector could in turn impact demand for electric boats and Vision Marine's products.
- The company is exposed to technology risks, where possible introduction of new technologies by competitors could adversely impact Vision Marine's competitive position.
- As the company continues to scale, we see operational risk from Vision Marine's low current sales volume, and potential for individual contracts and orders to drive lumpy quarterly results. Vision Marine has a history of losses that are likely to continue for the near future.
- Vision Marine operates in a competitive market, and faces competition from large and small competitors, including multi-national boat companies. Many competitors have greater resources at their disposal, and could make investments that the company might find difficult to match.

COMPANY DESCRIPTION

Vision Marine Technologies Inc. is a Canada-based company that is engaged in designing and manufacturing electric outboard powertrain systems and related technology. The company has developed a fully-electric outboard powertrain system, which combines a battery pack, inverter, and motor with union assembly between the transmission and the electric motor design and control software. Its electric outboard powertrain, E-Motion 180E, is designed to produce 180 horsepower (hp) and 236 pound-foot (Lb. ft) torque at 94% load. Vision Marine manufactures five models of electric boats, including the Bruce 22, Volt 180, Fantail 217, Quietude 156, and fully recyclable Phantom. For each of its boats, its consumers can customize certain aspects, including color for the hull, striping, interior and deck; radio equipment, covers, and storage options. The company sells its electric boats to retail customers as well as to boat clubs and boat rental operations. (Source: *Refinitiv, as of June 7, 2023*)

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Vision Marine - Income Statement

(CAD MM; YE Aug 31; IFRS)	2020	2021	1Q22	2Q22	3Q22	4Q22	2022	1Q23	2Q23	3Q23	4Q23	2023	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E
Revenue	2.4	3.5	1.2	0.8	2.0	3.4	7.4	1.4	0.8	1.3	2.1	5.7	3.0	4.6	5.8	6.7	20.0	45.0
Operating Expenses:																		
Cost of Revenue	1.8	1.9	0.7	0.5	0.9	2.0	4.1	1.3	0.8	0.9	1.1	4.1	2.0	3.2	4.0	4.6	13.8	27.4
Operating Expenses	2.8	14.8	4.1	3.7	2.9	5.2	15.9	7.1	3.7	3.7	7.2	21.7	4.3	4.3	4.3	4.3	15.8	16.5
Operating Income	(2.1)	(13.2)	(3.5)	(3.5)	(1.8)	(3.8)	(12.6)	(7.0)	(3.7)	(3.3)	(6.2)	(20.1)	(3.2)	(2.9)	(2.5)	(2.2)	(9.6)	1.1
Interest, (Net)	(0.1)	(0.1)	(0.2)	0.8	0.1	(0.5)	0.2	(0.2)	0.4	-	(1.8)	(1.6)	-	-	-	-	-	-
Other, (Net)	-	(1.7)	-	-	-	-	-	-	2.6	-	-	2.6	-	-	-	-	-	-
EBT	(2.0)	(11.3)	(3.4)	(4.3)	(1.9)	(3.3)	(12.9)	(6.8)	(6.7)	(3.3)	(4.4)	(21.2)	(3.2)	(2.9)	(2.5)	(2.2)	(9.6)	1.1
Taxes	0.0	0.1	0.0	(0.1)	0.1	0.2	0.3	0.0	(0.0)	(0.2)	(0.1)	(0.3)	-	-	-	-	-	0.1
Tax Rate	n/m	n/m	-1%	2%	-5%	-6%	n/m	0%	0%	6%	2%	1%	0%	0%	0%	0%	0%	9%
Net Income	(2.1)	(11.5)	(3.4)	(4.2)	(1.9)	(3.5)	(13.1)	(6.8)	(6.7)	(3.1)	(4.3)	(20.9)	(3.2)	(2.9)	(2.5)	(2.2)	(9.6)	1.0
EPS	(\$3.04)	(\$1.54)	(\$0.41)	(\$0.51)	(\$0.23)	(\$0.43)	(\$1.58)	(\$0.81)	(\$0.77)	(\$0.32)	(\$0.42)	(\$2.25)	(\$0.30)	(\$0.27)	(\$0.24)	(\$0.20)	(\$0.90)	\$0.10
Basic Shares	0.7	7.4	8.3	8.3	8.4	8.2	8.3	8.4	8.7	9.7	10.2	9.3	10.5	10.6	10.6	10.6	10.6	10.7
Diluted Shares	0.7	7.4	8.3	8.3	8.4	8.2	8.3	8.4	8.7	9.7	10.2	9.3	10.5	10.6	10.7	10.7	10.6	10.7
% of Revenue																		
Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Gross Margin	25%	46%	43%	33%	56%	41%	45%	7%	6%	29%	48%	27%	35%	30%	30%	31%	31%	39%
Operating Expenses	0%	421%	337%	497%	143%	155%	217%	508%	447%	281%	338%	383%	142%	92%	74%	64%	79%	37%
Depreciation	0%	12%	19%	33%	12%	7%	13%	19%	30%	21%	13%	19%	7%	4%	3%	3%	4%	3%
Operating Margin	-89%	-375%	-294%	-464%	-87%	-113%	-172%	-501%	-441%	-253%	-291%	-356%	-107%	-62%	-44%	-33%	-48%	3%
EBITDA Margin	0%	-56%	-116%	-569%	-67%	-71%	-128%	-426%	-1132%	-183%	-105%	-354%	-83%	-47%	-32%	-22%	-40%	13%
Adj-EBITDA Reconciliation																		
Net Income (Loss)	(2.1)	(11.5)	(3.4)	(4.2)	(1.9)	(3.5)	(13.1)	(6.8)	(6.7)	(3.1)	(4.3)	(20.9)	(3.2)	(2.9)	(2.5)	(2.2)	(10.8)	1.0
Interest, (Net)	0.1	0.1	0.2	(0.8)	(0.1)	0.5	(0.2)	0.2	(0.4)	-	1.8	1.6	-	-	-	-	-	-
Other Income, (Net)	-	1.7	-	-	-	-	-	-	(2.6)	-	-	(2.6)	-	-	-	-	-	-
Depreciation & Amortization	0.2	0.4	0.2	0.2	0.2	0.2	1.0	0.3	0.3	0.3	0.3	1.1	0.2	0.2	0.2	0.2	0.8	1.5
Taxes	0.0	0.1	0.0	(0.1)	0.1	0.2	0.3	0.0	(0.0)	(0.2)	(0.1)	(0.3)	-	-	-	-	-	0.1
EBITDA	(1.8)	(9.1)	(3.0)	(4.9)	(1.7)	(2.5)	(12.1)	(6.3)	(9.5)	(3.0)	(2.3)	(21.1)	(3.0)	(2.7)	(2.3)	(2.0)	(10.0)	2.6
Stock Compensation	1.3	7.1	1.6	0.6	0.4	0.2	2.7	0.3	0.1	0.6	0.1	1.1	0.5	0.5	0.5	0.5	2.0	3.0
Adj-EBITDA	(0.4)	(2.0)	(1.4)	(4.3)	(1.3)	(2.4)	(9.4)	(6.0)	(9.4)	(2.4)	(2.2)	(20.0)	(2.5)	(2.2)	(1.8)	(1.5)	(8.0)	5.6
CAD/USD (Avg)	0.744	0.788	0.796	0.786	0.787	0.776	0.786	0.742	0.742	0.737	0.750	0.743	0.750	0.750	0.750	0.750	0.750	0.750
USD - adj-EBITDA	(0.3)	(1.6)	(1.1)	(3.4)	(1.1)	(1.9)	(7.4)	(4.4)	(7.0)	(1.8)	(1.7)	(14.9)	(1.9)	(1.6)	(1.4)	(1.1)	(6.0)	4.2
USD - EPS	(\$2.26)	(\$1.22)	(\$0.33)	(\$0.40)	(\$0.18)	(\$0.33)	(\$1.24)	(\$0.60)	(\$0.57)	(\$0.23)	(\$0.32)	(\$1.67)	(\$0.23)	(\$0.20)	(\$0.18)	(\$0.15)	(\$0.68)	\$0.07
USD - Revenue	1.8	2.8	1.0	0.6	1.6	2.6	5.8	1.0	0.6	1.0	1.6	4.2	2.3	3.5	4.3	5.0	15.0	33.8
Segment Rev:																		
Boat Sales	2.2	2.1	0.3	0.0	0.6	1.5	2.5	0.2	0.2	0.3	0.5	1.3	0.4	0.5	0.5	0.8	2.2	2.5
Boat Rentals	-	1.4	0.9	0.7	1.4	1.7	4.8	1.2	0.6	0.9	1.5	4.0	1.5	1.8	2.0	2.1	7.3	6.5
Parts & Maintenance	0.2	0.1	0.0	-	-	-	0.1	-	0.1	0.1	0.2	0.3	0.1	0.1	0.1	0.1	0.2	-
Phantom - Rotomold Boats	-	-	-	-	-	-	-	-	-	-	-	-	0.3	0.8	1.0	1.1	3.2	6.0
eMotion	0.0	-	-	-	-	0.1	-	-	-	-	-	-	0.8	1.5	2.3	2.6	7.1	30.0
Total Revenue	2.4	3.5	1.2	0.8	2.0	3.4	7.4	1.4	0.8	1.3	2.1	5.7	3.0	4.6	5.8	6.7	20.0	45.0
Phantom (U)	-	-	-	-	-	-	-	-	-	-	-	-	15	40	50	55	160	300
eMotion (U)	-	-	-	-	-	-	-	-	-	-	-	-	10	20	30	35	95	400

Source: SEDAR filings & ROTH MKM estimates

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Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. **Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 01/04/24	
			Count	Percent
Buy [B]	345	73.09	201	58.26
Neutral [N]	82	17.37	28	34.15
Sell [S]	3	0.64	2	66.67
Under Review [UR]	40	8.47	12	30.00

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Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

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