

Zacks Small-Cap Research

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Novonix Ltd

(NVX-NASDAQ)

NVX: Growing Environmental Awareness,
EV Adoption & Infrastructure Initiatives
Positives

Novonix has a positive sector tailwind, in our opinion, as it advances its strategy to develop a U.S.-based lithium-ion battery materials supply chain. Growing awareness of the climate change challenge, adoption of sustainable technologies and products and infrastructure initiatives create this positive tailwind, in our view. The company is advancing its technologies in North America, where demand is expected to be robust. Heat waves and wildfires in various markets and general shifting weather patterns appear to be boosting awareness of the climate change challenge.

Current Price (8/9/22) **\$8.77**
Valuation **\$40.00**

OUTLOOK

Novonix's two initial primary target niches within the battery space are the electric vehicles (EVs) and ESS (energy storage systems) verticals. NVX and Emera Technologies intend to jointly develop battery pack systems to support microgrids that are designed to provide solar power to homes. Emera and Novonix recently delivered the first custom designed microgrid battery prototype & expect to test it later in 2022 and make the system available commercially in 2023. We also believe growing focus on green automotive options, regulatory support and optimism about the EV space is leading to initiatives by automotive OEMs and others. We view these initiatives as positives that underscore the potential demand for batteries and could serve as a catalyst for Novonix growth as it builds a North American ecosystem for EV batteries.

SUMMARY DATA

52-Week High **24.00**
52-Week Low **5.46**
One-Year Return (%) **-7.20**
Beta **1.66**
Average Daily Volume (sh) **31,841**

Shares Outstanding* (mil) **122**
Market Capitalization (\$mil) **1,040**
Short Interest Ratio (days) **N/A**
Institutional Ownership (%) **48**
Insider Ownership (%) **22**

Annual Cash Dividend **\$0.00**
Dividend Yield (%) **0.00**

5-Yr. Historical Growth Rates
Sales (%) **N/A**
Earnings Per Share (%) **N/A**
Dividend (%) **N/A**

P/E using TTM EPS **N/A**
P/E using 2022 Estimate **N/A**
P/E using 2023 Estimate **N/A**

*ADRs

Risk Level **Above average**
Type of Stock **Growth**
Industry **Materials**

ZACKS ESTIMATES

Revenue

(in millions of US\$)

	Q1	Q2	Q3	Q4	Year
	(Sep)	(Dec)	(Mar)	(Jun)	(Jun)
2019					\$3.5 A
2020		\$2.1 A			\$3.7 A
2021		\$2.0 A			\$3.8 A
2022		\$3.8 A			\$5.6 E

EPS or Loss Per Share

	Q1	Q2	Q3	Q4	Year
	(Sep)	(Dec)	(Mar)	(Jun)	(Jun)
2019					-0.15 A
2020		-0.04 A			-0.11 A
2021		-0.03 A			-0.04 A
2022		-0.05 A			-0.04 E

Quarters might not sum due to rounding & share counts

Aus\$ / US\$ exchange rate 0.73 Disclosures on page 14

KEY POINTS

- Novonix has a positive sector tailwind, in our opinion, as it advances its strategy to develop a U.S.-based lithium-ion battery materials supply chain. The company is advancing its technologies in North America, where demand is expected to be robust. Heat waves and wildfires in various markets and general shifting weather patterns appear to be boosting awareness of the climate change challenge.
- That, plus improving performance of electric vehicles (EVs), one of the company's core target markets, is spurring growing EV adoption. Novonix's other initial primary target niche within the battery space is the ESS (energy storage systems) vertical, which NVX's agreement with Emera is designed to penetrate.
- NVX and Emera Technologies intend to jointly develop battery pack systems to support microgrids that are designed to provide solar power to homes. Emera and Novonix recently delivered the first custom designed microgrid battery prototype to support BlockEnergy, Emera's residential pilot project located near Tampa, Florida. The two partners expect to test the battery prototype later in 2022 and to make the system available commercially in 2023.
- We also believe the recent infrastructure bill underscores and potentially expands prospective opportunities for Novonix, as it expands production capacity at its plant in Tennessee to produce high quality battery anode product. The bill envisions the expansion of the domestic EV charging station infrastructure, among other positives expected as catalysts for EV sales.
- Focus on green automotive options and optimism about the EV space is leading to development of infrastructure to support EVs. For example, Kore Power, a leading U.S.-based developer of battery cell technology for the clean energy industries that has a partnership with Novonix, announced plans to develop what it calls the KOREPlex in Arizona. Automotive OEMs such as GM and Tesla, among others, have also announced planned battery initiatives in North America.
- We view these initiatives as positives that underscore the potential demand for batteries and could serve as a catalyst for Novonix growth as it builds a North American ecosystem for EV batteries.

GROWING AWARENESS, ADOPTION & INFRASTRUCTURE INITIATIVES

Company positioning to benefit from ramping growth in target verticals

Novonix (NVX-NASDAQ) has a positive sector tailwind, in our opinion, as it advances its strategy to develop a U.S.-based lithium-ion battery materials supply chain. Novonix is an integrated developer and supplier of high-performance materials, equipment and services for the global lithium-ion battery industry. The company is advancing its technologies in North America, where demand is expected to be robust. Heat waves and wildfires in various markets and general shifting weather patterns appear to be boosting awareness of the climate change challenge. That, plus improving performance of electric vehicles (EVs), one of the company's core target markets, is spurring growing EV adoption. Novonix's other initial primary target niche within the battery space is the ESS (energy storage systems) vertical. NVX's agreement with Emera Inc. (see below) is designed to penetrate the ESS vertical.

NVX has established a presence in North America. The company has production capacity located in a Tennessee, as illustrated below. The company believes the facility and planned increased production capacity will enable it to advance its goal of becoming a leading global supplier of key battery material. Currently, manufacturers in China control a roughly 80% share of the market for artificial graphite, according to Avicenne Energy, a consulting firm specializing in high growth technology markets. Importantly, Novonix believes it is the only manufacturer of synthetic graphite in North America, according to management.



Source: Company [presentation](#)

Management believes the bulk of battery requirements in its two target verticals will experience significant growth in North America, which is consistent with forecasts from the U.S. [DOE](#) and the [World Economic Forum](#). The DOE notes that “the largest markets for stationary energy storage in 2030 are projected to be in North America (41.1 GWh), China (32.6 GWh), and Europe (31.2 GWh).” The U.S. has the third-largest EV market, according to the World Economic Forum, but EV sales are expected to grow substantially as government incentives continue and the charging infrastructure to support EV driving builds.

Emera

NVX has an agreement with Emera Inc. to develop and manufacture ESS. NVX and Emera Technologies intend to jointly develop battery pack systems to support microgrids that are designed to provide solar power to homes. Emera Technologies launched BlockEnergy in 2020. BlockEnergy is the first utility-owned community microgrid platform. Together, NVX and Emera Technologies intend to develop battery pack systems to support microgrids that are designed to provide solar power to homes. Emera and Novonix recently delivered the first custom designed microgrid battery prototype to support BlockEnergy, in its operations of a residential pilot project located near Tampa, Florida. The BlockEnergy system connects residences in a shared energy network and enables solar energy to be stored and distributed throughout the network. Novonix is optimistic that this can create opportunities to provide cleaner energy sources. The two partners expect to test the battery prototype later in 2022 and to make the system available commercially in 2023.

Lithium-ion batteries are critical to power EVs and energy storage systems (ESS). Not surprisingly, therefore, the U.S. Department of Energy ([DOE](#)) notes that lithium-ion batteries are “the fastest-growing rechargeable battery segment.” In turn, this has fueled the need for greater production of batteries and battery components. NVX’s strategy is to create a North American source of competitively priced, high-quality synthetic anode material for the battery industry.

EV adoption appears to be accelerating

Importantly, in 2021, global EV sales appear to have accelerated in terms of volume and market share, according to [Green Car Reports](#), citing a report from the International Energy Agency (IEA). Some 6.6 million plug-in vehicles were sold in 2021, which represented a greater than 100% increase compared to three million sold in 2020 and 2.2 million in 2019. Including hybrids, EV sales represented about 9% of the global new-car market in 2021, up from 4.1% in 2020 and 2.5% in 2019. The report cites favorable government policies, including subsidies, as a key driver behind EV sales growth, combined with introduction of new EV models. As McKinley notes, “the tipping point in passenger EV adoption occurred in the second half of 2020, when EV sales and penetration accelerated in major markets despite the economic crisis caused by the COVID-19 pandemic.”

We also believe the recent infrastructure bill underscores and potentially expands prospective opportunities for Novonix, as it expands production capacity at its plant in Tennessee to produce high quality battery anode product. The bill envisions the expansion of the domestic EV charging station infrastructure, among other positives expected as catalysts for EV sales. Another factor that signals the rising interest in EVs, in our view, is that GM has introduced its Factory ZERO, which also bodes well, we believe, for increased EV commitments by other automotive manufacturers. Factory ZERO is an all-electric facility. It reflects GM’s commitment to continue to transition its business to EVs, we believe.

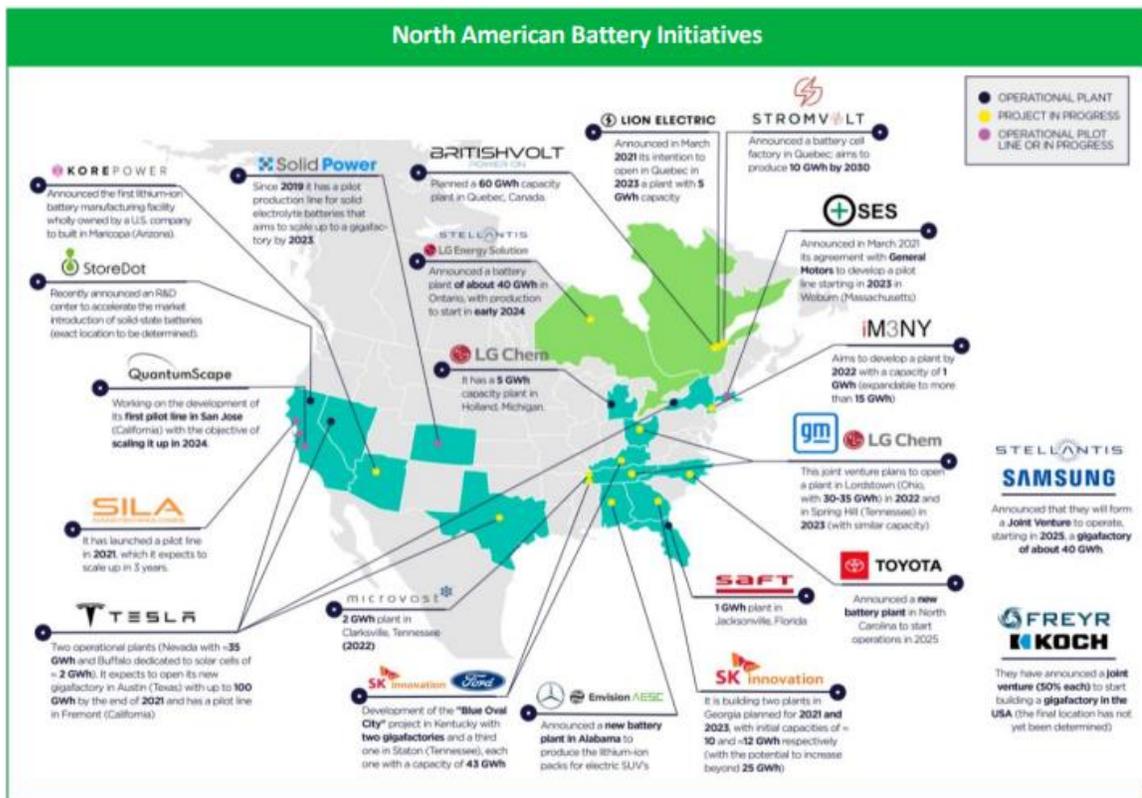
Federal Tax Credits

In the U.S., the federal government has incentivized consumer purchase of EVs using [tax credits](#) since 2010. Most EVs and even hybrids have been eligible for a federal tax credit of up to \$7,500, depending on the total number of EVs the OEM manufacturer has sold. (Tesla and GM cumulative EV sales to-date make their vehicles ineligible for the federal incentive program, but proposed legislative revisions might make future GM EV sales eligible). In addition to federal credits, many states also offer incentives for purchasing a new EV. For example, California has been particularly active about offering financial incentives to stimulate EV sales.

Also encouraging in terms of consumer adoption is continued improvements in EV performance and regulatory restrictions on automobile emissions. On average, the minimum performance on electric range increased to 150 kilometers (km) in 2018, from 100 km the prior year, according to McKinsey. [McKinsey](#) also notes that “governments and cities have introduced regulations and incentives to accelerate the shift to sustainable mobility. Regulators worldwide are defining more stringent emissions targets... In line with EV uptake, the buildup of charging infrastructure needs to accelerate to avoid becoming a potential bottleneck and limiting consumer-driven EV adoption.”

North American battery initiatives by many industry leaders

Focus on green automotive options and optimism about the EV space is leading to development of infrastructure to support EVs. For example, Kore Power, a leading U.S.-based developer of battery cell technology for the clean energy industries that has a partnership with Novonix, announced plans to develop what it calls the KOREPlex in Arizona. It is expected to become operational in early 2023. Automotive OEMs such as GM and Tesla, among others, have also announced planned battery initiatives in North America, as illustrated below.

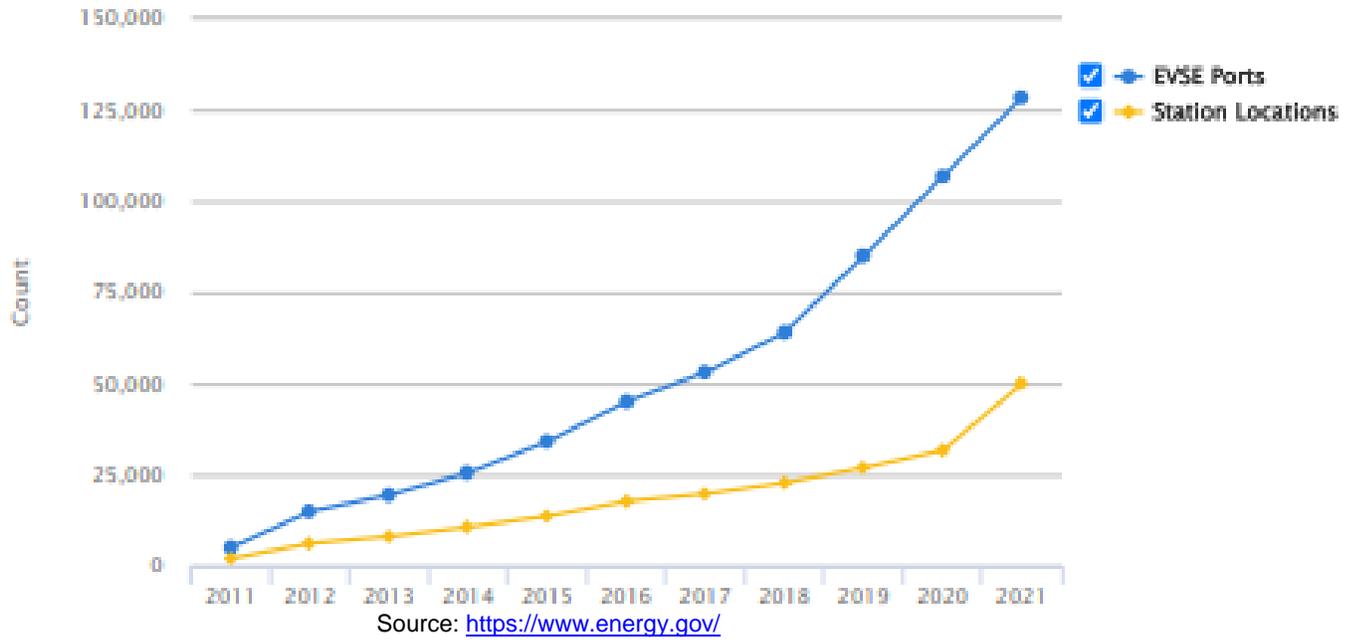


Source: Company [presentation](#)

We view these initiatives as positives that underscore the potential demand for batteries and could serve as a catalyst for Novonix growth as it builds a North American ecosystem for EV batteries. Construction of [charging infrastructure](#) to support EV adoption has also been increasing. Nevertheless, at this early point, the number of EV charging stations still represents only a small fraction compared to traditional gas stations. According to Department of Energy data, the U.S. currently has fewer than 46,000 public EV stations installed compared to more than 150,000 traditional gasoline fueling stations. However, even many existing gas stations are adding electric charging equipment in order to position themselves for the anticipated uptick in EVs. Other players are also installing EV chargers to drive incremental customer traffic; retailers [7-Eleven](#), Albertsons, Whole Foods and Kroger, among others, have indicated plans to install charging capacity.

The Biden administration has a stated target of constructing a national public charging network of 500,000 ports by 2030. The Biden administration, U.S. Department of Transportation (DOT) and U.S. Department of Energy (DOE) recently announced their agreement to deploy about \$5 billion over [5-years](#) to support the development of a national EV charging network along what they refer to as “designated alternative fuel corridors, particularly along the interstate highway system.” They refer to this as “an important step towards making electric vehicle (EV) charging accessible to all Americans.” According to the [DOE](#), “EV charging continues to experience rapidly changing technology and growing infrastructure.”

U.S. Public & Private EV Charging Infrastructure



PARTNERSHIPS ACCELERATE & ENHANCE GROWTH

Novonix has formed key partnership agreements

Novonix has formed several important agreements and relationships to further its growth strategy. As noted earlier, Novonix and Kore Power have formed a strategic relationship and signed investment and supply agreements. Novonix will be the exclusive supplier of graphite anode materials to Kore Power's U.S. operations. The initial term of the supply agreement is for five years, with automatic renewal for a five-year term. In addition, the company has taken a roughly 5% stake in Kore Power.

Headquartered in Idaho, with offices in Europe, Canada and India, Kore is a leading U.S.-based developer of battery cell technology for the clean energy industries. Under the supply agreement, Novonix will be the exclusive supplier to Kore Power's U.S. battery cell manufacturing facility. In July 2021, Kore unveiled its plans to construct Koreplex, a one million square foot manufacturing facility intended to support up to 12 gigawatt hours (GWh) of battery cell production. Kore's goal is to commence production in early 2023.

Novonix will begin supplying 3,000 tonnes per annum (tpa) of graphite anode material beginning in 2024. The supply is intended to ramp up to about 12,000 tpa in 2027, depending on customer demand. This agreement represents a milestone as Novonix's first commitment for sales of significant volumes of material. It is particularly important as Novonix moves forward with its plant expansion plan (see below) at its new manufacturing facility. Kore pointed to Novonix's role as "the leading U.S. domestic supply of synthetic graphite anode materials and related technology" as a key driver of the agreement.

Phillips 66, Samsung, Sanyo & others

Supply from the Novonix plant already has received interest from key players. For instance, Novonix and Samsung SDI forged an agreement for Novonix to supply Samsung SDI with synthetic graphite anode material for lithium-ion batteries. In December 2020, Novonix and Samsung SDI signed an agreement for Novonix to supply Samsung SDI with 500 tons of synthetic graphite anode material for lithium-ion batteries, subject to quality testing. Management believes this offers proof of concept about the

competitive advantages of Novonix's graphite. Samsung SDI represents Novonix's first major customer on the materials side. The company also expects that this agreement likely will be expanded as a result of the quality testing of the material.

Novonix also signed a non-binding agreement with Sanyo to assess production materials from its production facility. Sanyo, a subsidiary of Panasonic Corporation, is a leading battery producer and supplier to Tesla. Together, Samsung SDI and Sanyo account for a combined estimated 30% of the global lithium-ion market.

Phillips 66 relationship expected to provide access to key materials

The company has support from Phillips 66, which made an investment in Novonix. Phillips 66 acquired a 16% stake in Novonix. The investment is consistent with Phillips 66's commitment to pursue lower-carbon solutions, while leveraging its leadership position and expertise in the specialty coke market. Novonix management believes it represents a signal of Phillips 66's confidence in the company's opportunities and outlook. The investment added capital for NVX to fund its growth objectives, which is to boost capacity to 10,000 metric tons (mt) of synthetic graphite production per annum by 2023 and add additional capacity by 2025.

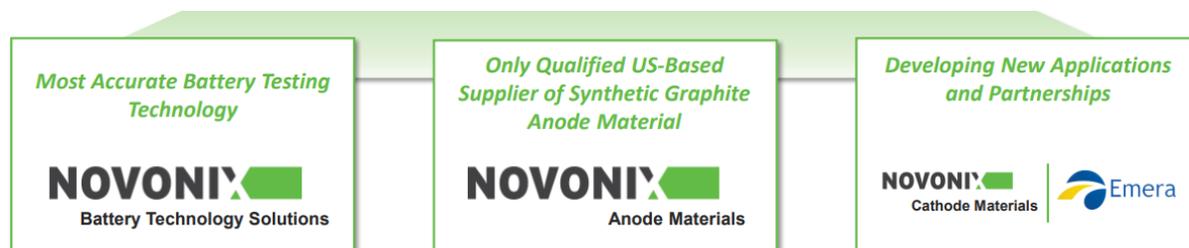
The Phillips 66 relationship is also expected to provide Novonix access to key materials required to produce synthetic graphite. Specifically, Phillips 66 is one of the world's leading manufacturers of specialty coke, which is a critical precursor in the production of batteries and which Novonix processes to produce its high-performance anode material. Phillips 66 operates facilities in the U.S. and U.K. that produce materials Phillips 66 sells to manufacturers of synthetic graphite based in China and other markets.

Recently, the two companies signed a technology development agreement to advance the production and commercialization of anode materials for lithium-ion batteries. They will collaborate to accelerate development of next-gen materials for the U.S. battery supply chain.

We believe interest from Sanyo and Samsung SDI and relationships with Phillips 66 and Kore Power underscore the company's broad range of opportunities. It is relatively early in this emerging space, in our view, and Novonix is positioning itself to be a strong beneficiary as the sector develops, offering a range of solutions for the lithium-ion space.

NVX expects to offer a range of solutions for the lithium-ion space

Through its operating units – Novonix Anode Materials, Novonix Cathode Materials and the Novonix Battery Technology Solutions (BTS) divisions (see below) – Novonix is leveraging proprietary R&D to develop critical materials for the battery sector. The company's primary initial concentration is on the Novonix Anode Materials business, as NVX anticipates significant growth in the need for graphite – including synthetic graphite – as battery demand continues to rise. The company has formed several important partnerships to advance its strategy, as noted. Novonix, along with Phillips 66 and Harper International, will develop new furnace technology to make high-performing battery materials.



Source: <https://www.novonixgroup.com/announcements/>

Novonix Anode Materials is expected to be the chief engine for the company's near-term growth. Importantly, Novonix has developed an efficient, low-cost process to produce *synthetic* graphite anode material that is designed to be competitive with the current supply, which is sourced primarily from China.

Proximity to end markets & significantly lower global warming potential

Moreover, not only does the company believe the location of its plant and proximity to end markets is a competitive advantage, NVX also recently announced that in a study comparing its synthetic anode graphite material to that supplied from China, the Novonix material demonstrated a roughly 30% to 60% decrease in GWP (global warming potential) when compared to synthetic graphite produced in two key regions in China. The two regions account for a combined 79% of global production of synthetic anode material, according to the study.

Phased in strategy focuses on Novonix Anode Material first ...

Phase 1 of the company's growth strategy entails ramping up production capacity of synthetic graphite. The company has a Tennessee facility, as noted, earmarked for capacity expansion and targets reaching capacity of 10,000 tpa by the end of 2023, as illustrated below. The company believes the increased production capacity will enable it to advance its goal of becoming a leading global supplier of key battery material.

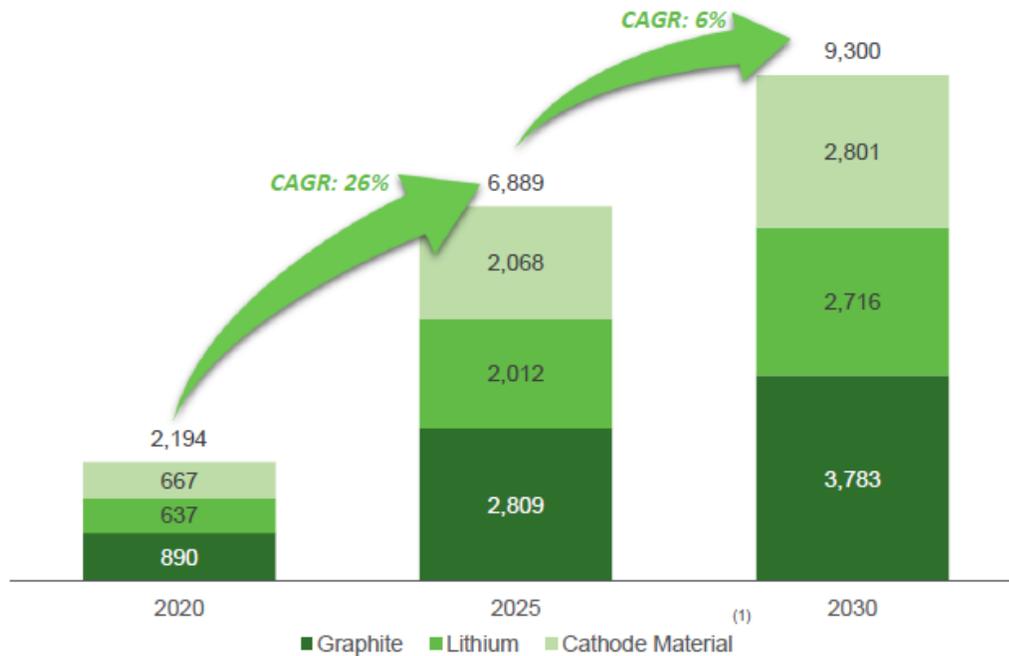
Novonix Anode Material's proprietary manufacturing process transitions the material from precursor powder into battery-ready anode material used to produce cells with high capacity and long life. The company produces critical battery material at a lower cost than that of the synthetic graphite materials derived primarily from Asia.

... with strong prospects expected for Novonix Cathode Materials in the future

Novonix Cathode Materials is also expected to play a key role in the growing demand for batteries. Cathode materials are also a critical component of lithium-ion batteries. The lithium-ion battery generates electricity through chemical reactions within the battery and requires both anode and cathode materials in order to work. The cathode element is crucial in determining the battery's capacity and voltage. A greater portion of lithium in the cathode implies greater capacity, for instance. Growing demand for batteries is therefore expected to also stimulate demand for cathode, as well as anode materials, as illustrated below.

Novonix is leveraging its proprietary dry particle microgranulation (DPMG) technology to process and develop cathode materials. This business extension is not as advanced yet as the anodes material business. Nevertheless, NVX expects the cathode business to become an important contributor to its strategy to become a supplier of a full range of advanced materials and services to the battery industry.

Expected Demand For Battery Material (000s of tons)



Source: Company reports

The company has filed initial patent applications focused on battery cathode materials and processing technologies. Materials and processes in the filing include both polycrystalline and single crystal, high-nickel cathode materials. The company believes that single crystal cathode materials outperform traditional polycrystalline cathode material. Single crystal cathode material has greater energy density and longer life compared to traditional material, which makes the design better for use in EVs and ESSs. Specifically, the design can help improve the performance and life of lithium-ion batteries for EVs and renewable energy, among other applications.

The focus of the company's cathode unit is complementary to its anode material unit, as each group focuses on enhancing battery performance and life in order to provide viable and economically produced batteries for EV and ESS manufacturers and share a common end customer base of these cell manufacturers. Early testing results show that the company's cathode technology produces comparable – or better – results than competitive technologies.

Competitive Advantage: Sole Synthetic Graphite Manufacturer in North America

Relative to the cathode side of Novonix's business, synthetic graphite generally is costlier than natural graphite. Reflecting its significantly higher cost, synthetic graphite does not usually compete with natural graphite in most markets. However, graphite use in batteries is one of the few instances in which natural and synthetic graphite compete for market share. When battery manufacturers use natural graphite versus synthetic graphite, it is generally due to the higher cost of synthetic graphite but there are many instances in which the greater stability of synthetic graphite makes it the preferred material despite its higher cost.

Lithium-ion batteries consist primarily of a cathode (positive electrode), an anode (negative electrode) and electrolyte architecture, as well as a separator. When the battery is charging, lithium ions are moved from the cathode and stored in the anode while corresponding electrons are moved through the charger. When the battery is discharging, lithium ions are released from the anode and return to the cathode. The features of graphite, including reaction potential with lithium and stable layered crystal structure, make graphite suitable as the anode component.

Synthetic graphite is purer in terms of carbon content and “tends to behave more predictably,” according to [Graphite Investing News](#). This means that among the important benefits of synthetic graphite, it is expected to be more stable than natural graphite. Across the graphite market, synthetic graphite is capable of withstanding high temperatures and corrosion.

In the lithium-ion battery space, synthetic graphite has been shown to be more stable than natural graphite and thus lead to longer cycle life. For this reason, synthetic graphite is expected to grow market share relative to natural graphite for lithium-ion batteries because many verticals, such as the company’s two target ones – EV and ESS – will require longer life and stability that synthetic graphite can provide. Demand for synthetic graphite for batteries is expected to outpace demand for natural graphite.

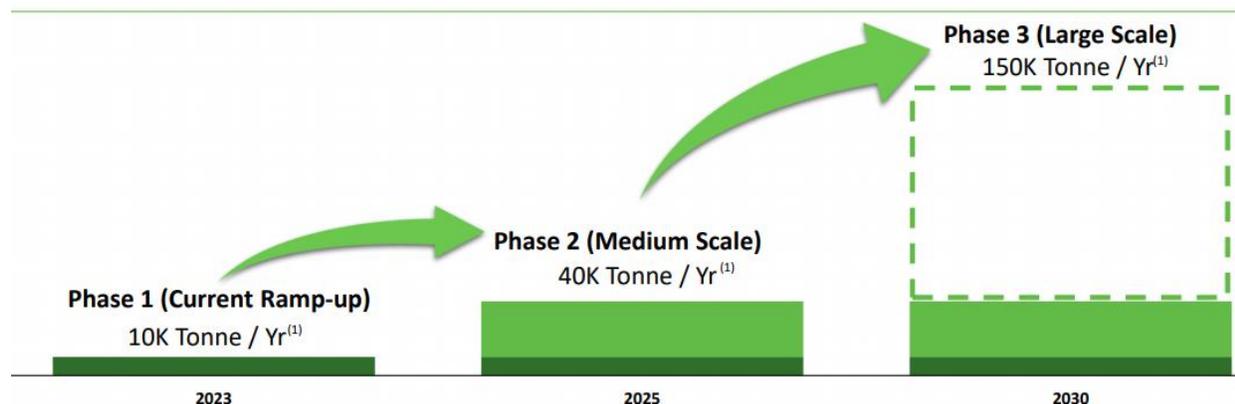
EXPANSION PLANS: RAMP AND SCALE PRODUCTION CAPACITY

Significant volume sales already secured

NVX announced the official opening of its plant, the Novonix Riverside facility, in November 2021. The opening ceremony was attended by U.S. Secretary of Energy Jennifer M. Granholm, as well as by various other government officials. With battery sales expected to accelerate, NVX intends to scale its production capacity. The company also received the Gen-1 3 furnace system for installation and also formed a strategic alliance with Buffalo, NY-based Harper International Corporation to develop specialized furnace technology to enhance its synthetic graphite manufacturing process. Management expects the relationship to enable Novonix to contain manufacturing costs and obtain operational cost savings, as well. This is consistent with the company’s strategy to create a North American source of competitively priced, high-quality synthetic anode material for the battery industry. Moreover, the company also expects to benefit from relatively low energy costs at the Tennessee facility. According to the [Tennessee Valley Authority](#), the Tennessee Valley enjoys electric rates that are lower than rates in about 70% of the U.S.

Novonix’s focus will be on ramping production capacity to increase the supply and sales of high consistency and high purity anode material that are critical components of long-life batteries. The company’s plan is to ramp production in three phases, as illustrated below.

Expected Growth Plan for Novonix Anode Materials



Source: <https://www.novonixgroup.com/announcements/>

VALUATION

The shares have come under pressure in 2022, which we believe reflects general market volatility. As such, we expect it will be transient if the company successfully executes on its strategy and therefore leave our valuation unchanged. The revenue arc for NVX is somewhat unclear at this stage because of many variables, including whether the plant expansion meets planned deadlines, timing of new orders, and prices of anode material, among other factors. In terms of prices, according to consulting firm Roskill, graphite is entering a period of rapid growth and upward pressure on prices. We also think the recent Phillips 66 strategic investment and expected support from Phillips 66 underscore and enhance the company's opportunities.

By 2025, Novonix expects to have the capacity to produce 40,000 tons of material per annum (Phase 2 of the expansion plan) on its way to 150,000 tons by 2030 (Phase 3). We expect the shares to begin to reflect future prospects, as NVX benefits from its strategic relationship with Phillips 66 and following certain milestones, such as Samsung potentially expanding its agreement with Novonix.

We therefore think the current share price level does not reflect the fundamental value of the company's prospects. As the company continues to advance its strategy, we would anticipate multiple and share price expansion. We believe that it is difficult to compare NVX to other publically traded companies, reflecting NVX's singular position and likely faster growth following completion of the plant expansion. Given the early stage in the company's transition, it is also difficult to value the shares based on traditional valuation methods such as P/E. We believe the NPV of the potential Phase 2 revenue stream has increased, as NVX has secured contracted demand. Material prices are trending higher than we originally expected.

If NVX can execute its strategy successfully, we would expect the shares to begin to reflect the value of the Phase 2 and then Phase 3 revenue streams. Our prior valuation of US\$10.00 equates to US\$40.00 on the Nasdaq-listed ADRs, given the 4:1 relationship between the ADRs and underlying shares. We also believe that material prices are higher than originally expected, which we believe portends further valuation upside, as does the move into Phase 3 and subsequent development of the cathode business. We believe other potential milestones – such as the Kore Power agreement and commercial orders from Samsung or Sanyo, for example – imply upside to the near-term valuation. Longer term, we would expect the company's valuation to continue to rise as the plant reaches Phase 3 production capacity, as noted.

Uplisting expands market awareness

Novonix ADRs uplisted to the Nasdaq. We believe this boosts awareness of Novonix within the investment community and likely expands the pool of potential investors in the shares. The shares were also recently added to the S&P/ASX 300 index, which is intended to provide investment access to the Australian equity market.

In our view, NVX shares represent an option on management's ability to continue to execute its growth strategy. We believe the risk / reward ratio could be attractive for investors who have a higher than average risk tolerance and longer time horizon. Any delay or failure in successful execution of the strategy could cause the share price to decline and represent a potential risk to our valuation.

RISKS

We believe risks to Novonix achieving its goals, and to our valuation, include the following, among others.

- Among the biggest risks, in our view, is that the NVX anode material does not gain market share as quickly as the company expects, which leads to slower than anticipated revenue ramp. However, we believe the expected cost competitiveness of the product mitigates this risk.
- The timing of expanding production capacity at the Tennessee plant could be delayed, which would also delay sales ramp.
- The company could incur unanticipated costs associated with its growth strategy.
- The price of synthetic graphite could come under pressure if substitute materials are shown to be effective or if other producers price irrationally to protect market share.
- Additional commercial deals, such as the one with Samsung, might take longer than expected to close or might not materialize at all.
- Competition could increase.
- Technology could evolve that makes the company's advanced materials less important to the global battery sector than management currently anticipates.
- The company might need to raise additional capital to support its strategy that could be dilutive to current shareholders.
- The shares could pull back on any negative news and / or delays.

RECENT NEWS

- NVX announced the results of an anode material comparative study on June 29, 2022.
- On June 6, 2022, NVX announced that with Emera Technologies, it had launched a microgrid battery prototype.
- NVX appointed Jean Oelwang to its board on March 2, 2022. She is the founding CEO and Trustee for Virgin Unite, a non-profit foundation under the Virgin Group umbrella of companies, and a senior partner at the B Team.
- Novonix shares began trading on the Nasdaq on February 2, 2022.
- NVX closed an investment and supply agreement with Kore Power on February 1, 2022.
- Phillips 66 and Novonix signed a technology development agreement on January 20, 2022.
- Zhanna Golodryga joined the NVX board on October 20, 2021.
- NVX and Phillips 66 closed the transaction on September 24, 2021.
- NVX updated the employment terms for its CEO and CFO on August 17, 2021.
- Phillips 66 announced its strategic investment in the company on August 10, 2021.
- On June 23, 2021, NVX announced the planned expansion of its anode materials business.

PROJECTED FINANCIALS

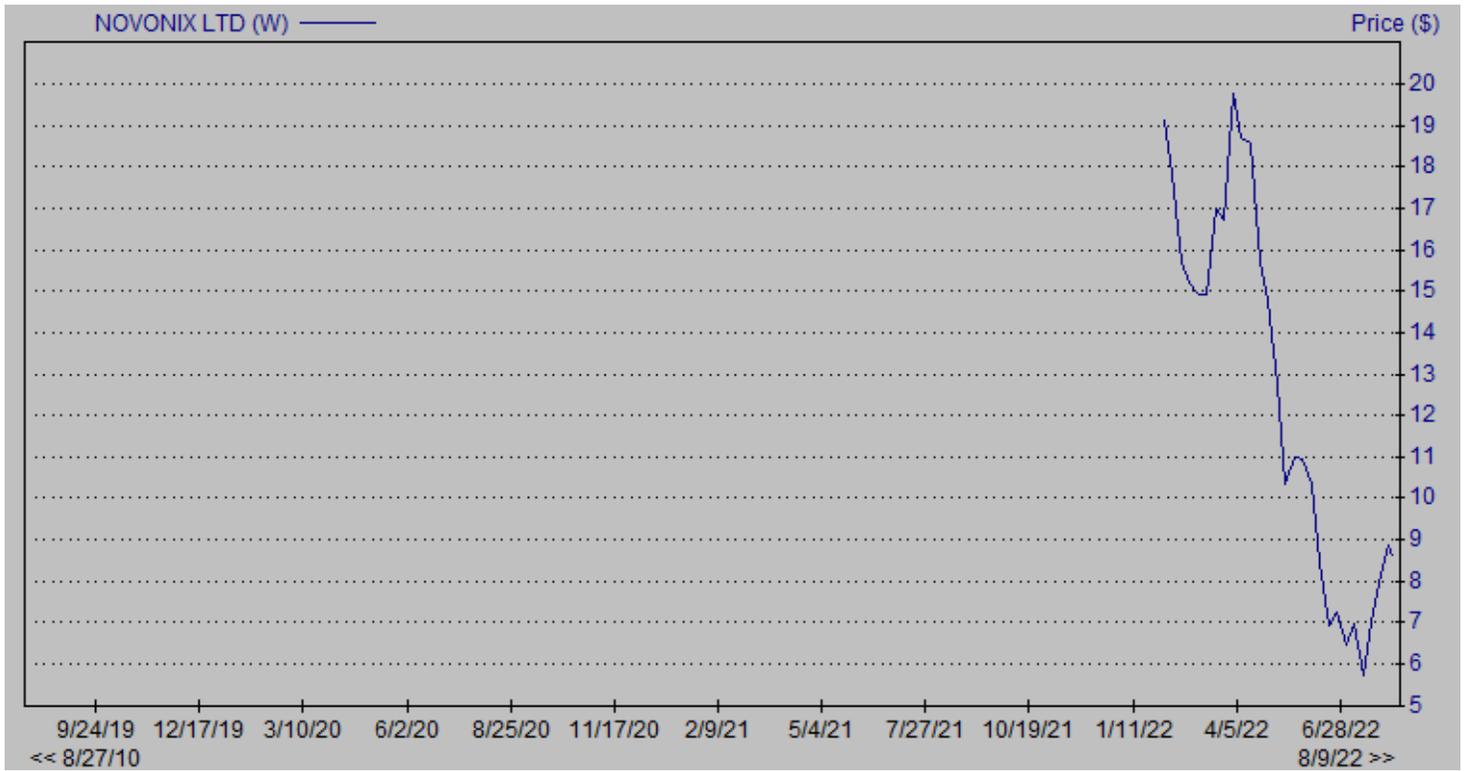
Novonix Income Statement & Projections (\$ Aus)

	June 2018	June 2019	Dec 2019	June 2020	Dec 2020A	June 2021A	Dec 2021A	June 2022E
Revenue from contracts with customers	2,171,895	1,817,049	2,675,392	4,253,435	2,325,541	5,227,347	4,001,117	4,338,929
Other income	231,522	3,024,684	227,652	844,877	408,759	-	1,080,827	1,211,127
Total	2,403,417	4,841,733	2,903,044	5,098,312	2,734,300	5,227,347	5,081,944	5,550,056
COGS	(957,832)	(741,280)	(885,263)	(1,245,187)	(301,195)	(969,774)	(821,197)	(1,665,017)
Gross profit / (loss)	1,445,585	4,100,453	2,017,781	3,853,125	2,433,105	4,257,573	4,260,747	3,885,039
Gross margin	60.1%	84.7%	69.5%	75.6%	89.0%	81.4%	83.8%	70.0%
Administrative & other expenses	(1,169,031)	(1,565,032)	(1,230,004)	(3,115,665)	(1,418,169)	(3,945,829)	(5,020,953)	(3,461,504)
Borrowing costs	(662,693)	(1,536,897)	(1,651,871)	(5,330,961)	(101,473)	(229,394)	(863,938)	(538,427)
Impairments		(15,918,925)	-	-	(2,738,138)	(2,764,940)	-	(2,738,138)
D&A	(154,251)	(494,948)	(468,372)	(1,380,303)	(782,396)	(1,697,754)	(2,452,465)	(1,408,047)
Marketing & project development costs	(354,312)	(1,560,551)	(915,562)	(2,423,546)	(1,683,953)	(2,809,984)	(2,766,375)	(2,472,259)
Share based compensation	(6,315,899)	(6,673,510)	(3,179,681)	(7,558,953)	(3,628,805)	(5,948,532)	(11,777,421)	(7,710,888)
Employee benefits expense	(1,656,613)	(2,104,176)	(1,517,778)	(4,072,223)	(1,871,571)	(5,837,926)	(5,449,619)	(4,524,240)
Other	(1,442,770)	(751,981)	(88,186)	-	(976,335)	900,709	(4,777,389)	(995,862)
Total expense	(11,755,569)	(30,606,020)	(9,051,454)	(23,881,651)	(13,200,840)	(22,333,650)	(33,108,160)	(23,849,365)
Pretax income / (loss)	(10,309,984)	(26,505,567)	(7,033,673)	(20,028,526)	(10,767,735)	(18,076,077)	(28,847,413)	(19,964,326)
Taxes	(13,398)	383,655	-	-	-	-	-	-
Net income	(10,323,382)	(26,121,912)	(7,033,673)	(20,028,526)	(10,767,735)	(18,076,077)	(28,847,413)	(19,964,326)
FX	140,644	809,396	66,527	550,243	(3,318,445)	(2,101,097)	2,169,511	(3,418,997)
Net loss	(10,182,738)	(25,312,516)	(6,967,146)	(19,478,283)	(14,086,180)	(20,177,174)	(26,677,902)	(23,383,323)
LPS	(\$0.09)	(\$0.21)	(\$0.06)	(\$0.15)	(\$0.04)	(\$0.05)	(\$0.06)	(\$0.05)
Average shares out	114,412,787	120,535,790	125,195,505	129,855,220	351,615,637	366,289,024	443,702,029	444,262,102

Source: Company reports, Zacks estimates

Fiscal year ends June 30.

HISTORICAL STOCK PRICE



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