

Update

2019-12-10

Heliospectra: Giant leap in order intake

- Two breakthrough orders exceeding SEK 80 million in the fourth quarter
- Completed rights issue providing SEK 51.5 million before issue costs
- We raise our fair value interval to SEK 6.70 – 10.50 per share

Analysts

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Stock ticker: HELIO
Industry: Electrical equipment
Listed on: Nasdaq First North
Latest stock price (SEK): 5,87
Market cap (MSEK): 333,4
Enterprise Value (MSEK): 332,0
Total number of shares (M): 56,79
- of which free float (M): 23,20

VHCF fair value per share
DCF model SEK 6,70 - 10,50

Heliospectra AB

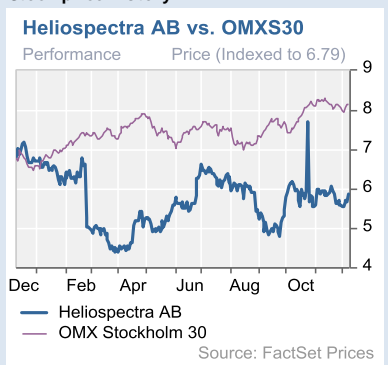
Address: Fiskhammsgatan 2
414 58 Göteborg

Webpage: heliospectra.com
CEO: Ali Ahmadian

Main owners (31 Jul 2019)

Company	Capital (%)
Weland Värdepapper AB	22,5
Weland Stål AB	16,5
Midroc New Technology AB	11,5
ADMA Förvaltnings AB	10,7
Avanza Pension	3,9

Stock price history



	-1m	-3m	-12m
Change (%)	-1,6	13,7	-13,6
52 w k range (Low /Hi) - SEK	4,36 / 8,31		

Source: FactSet

There is a lot going on in Heliospectra at the moment. The company is in an exciting position with two breakthrough orders in the fourth quarter, with a total value exceeding SEK 80 million. However, due to slower sales than expected in the second and third quarter, Heliospectra assessed that the working capital was not sufficient for the coming twelve-month period, and in order to finance the operations a right issue was recently completed. The results from the rights issue was announced yesterday and showed a subscription of approximately 87 percent, leaving approximately 13 percent of the rights issue being allocated to the guarantors. We believe that this new capital will be sufficient for financing operations until the company becomes cash flow positive.

At the end of October, Heliospectra announced a breakthrough order from Nectar Farms in Victoria, Australia. Nectar Farms is an agri-business, and according to their website, dedicated to transforming the current Australian farming model through promotion of glasshouse farming. Their smart farming system "focuses on glasshouses, hydroponics and high-wire cultivation". Hydroponics is a method of growing plants without soil and instead using mineral nutrient solutions in a water solvent.

The order value amounts to SEK 72 million and includes a 50 percent down payment in Q4 2019. The press release states that the production of the order will not be initiated until Heliospectra receives the down payment. The revenue is then expected during the second and third quarter of 2020, which is when the lighting is scheduled to be shipped and installed. The order is for the new high performance MITRA LED lighting which Nectar Farms says will help them scale their glasshouse tomato production quickly.

Table 1: Financial Overview

MSEK	2 018	2019e	2020e	2021e	2022e
Total revenues	46,0	39,5	128,3	197,8	327,4
Growth (%)	25,1%	(14,1%)	224,9%	54,1%	65,6%
EBITDA	(30,5)	(38,2)	(12,2)	7,7	45,7
EBITDA margin (%)	neg	neg	neg	3,9%	14,0%
EBT	(33,3)	(42,1)	(15,9)	3,6	41,2
Cash holdings	11,2	75,5	40,2	28,9	63,4
Total assets	40,2	111,1	102,6	125,2	203,8
Total equity	15,2	74,0	58,2	61,7	102,9
Solidity (%)	37,9%	66,6%	56,7%	49,3%	50,5%
P/E	neg	neg	neg	93,5	8,1
ROE	neg	neg	neg	5,8%	40,0%
EV/EBIT (x)	neg	neg	neg	90,8	8,0
EV/Sales (x)	7,2	8,4	2,6	1,7	1,0

Source: Västra Hamnen Corporate Finance

Partnering with Nectar Farms

We believe that there are several highlights that can be concluded from this order. Firstly, the sheer size of the order value is unprecedented in Heliospectra’s history. At more than two times the last twelve months’ revenue we believe it opens a new era for Heliospectra, placing the company at the forefront of intelligent lighting technology and horticulture. Secondly, Nectar Farms is committed to resource-efficient food production. We believe that partnering with a **food grower**, at this scale, is an important step towards proving that Heliospectra is a versatile company with lighting solutions that suits growers within food production at least as well as medicinal plants.

The order will function as a reference installation

Another benefit of the massive order is that it will function as a reference installation to showcase for potential customers in the future, as a demonstration of the functionality and the capabilities of Heliospectra. However, it is worth pointing out that Nectar Farms is an experimental player within premium horticulture and should not be referred to as a typical food grower. Nonetheless, we still believe the order to be a big milestone in the evolution of Heliospectra as a company.

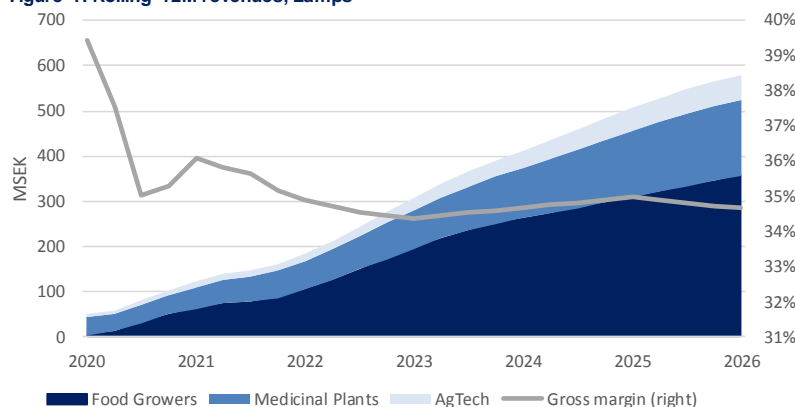
Furthermore, in the beginning of November, Heliospectra announced an order from Bridge Farm Group, which is the largest commercial producer and supplier of plants in the United Kingdom. The order value is SEK 12 million and is supposed to be the first installation in Bridge Farm’s new Clay Lake facility, which is a structure of 30 hectares. The order is again for the new high-efficacy, high intensity MITRA LED lighting solution. Its not disclosed what kind of crops the group will cultivate using the new lighting solution, but according to the group’s website they are producer of plants, flowers and a range of pot herbs. It is also reassuring to see that the MITRA LED is already attracting customers. The MITRA light offers a flexible, versatile and resource-efficient LED solution that easily adapts to any greenhouse, indoor or vertical farm environment.

We revise up our sales forecast

On the back of the two orders, we have revised up our sales forecast moving forward. In figure 1 below, the forecasted lamp sales and product mix is shown for the next 6-year period. As can be seen, we expect sales to food growers to make up the majority of lamp sales in the mid- to long-term. Therefore, we see the two orders from food producers in Q4 as validating our economic scenario. We also believe the orders will function as a showcase for Heliospectra and help the company accelerate market penetration for lighting solutions for food growers and generate higher revenue in the coming years.

In our valuation model, we have added the two orders to our forecasted revenue, however, the larger order of SEK 72 million has been risk-adjusted. This is done according to what we deem reasonable considering that the size of the order is unprecedented for Heliospectra. Further, Nectar Farms is not an established food grower, hence, it might not have the financial strength for the full deal to be completed. We see the order from Bridge Farm Group as more reliable since the firm has a long track record and therefore, we have assumed the order to be delivered in full. We have not revised the sales forecast in the product segments Medicinal plants and AgTech.

Figure 1: Rolling 12M revenues, Lamps



Source: Västra Hamnen Corporate Finance

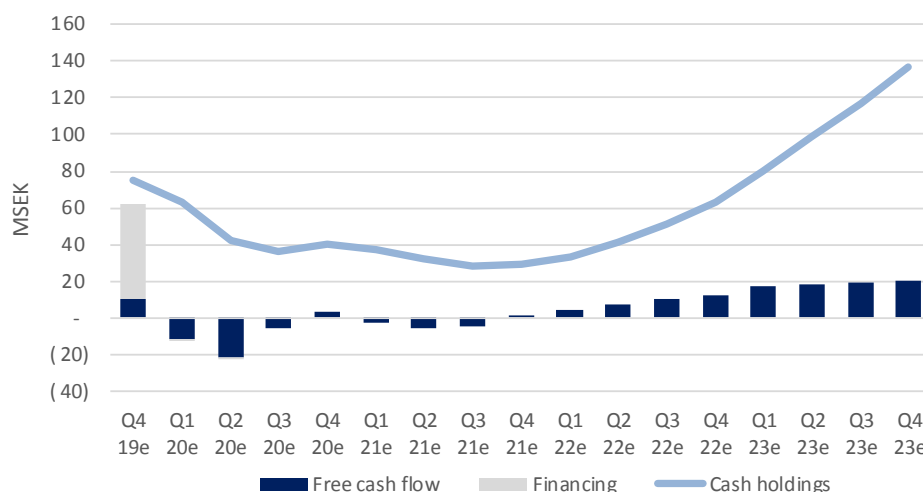
Good potential for MITRA in the coming quarters

At the end of October, Heliospectra announced a rights issue which will add SEK 51.5 million before transaction costs. The reason for the rights issue is the slower than expected sales during the second and third quarter of 2019. This is partly a consequence of the introduction of the new MITRA lightning system, which delayed ongoing customer discussions and also targets a category of customers with larger projects and therefore leads to longer decision-making processes. Heliospectra sees good potential for more large customer orders on MITRA in the coming quarters and have completed its transition to a larger Swedish contract manufacturer to ensure greater delivery capacity of customized solutions.

Rights issue subscribed by approximately 85 percent

The proceeds of the rights issue are intended to be used as follows: 20% to strengthen the financial position, 20% to build inventory, 40% to develop the sales organisation and 20% for product development in control and automation. It is reassuring to see the two main owners, Midroc New Technology and Weland Group, both signing up for their pro-rata share in the rights issue which demonstrates a long-term commitment to the company. In addition, Weland Group has trough guarantee commitment undertaken to subscribe for the remaining shares in the rights issue. The outcome of the rights issue shows that the rights issue was subscribed by approximately 85 percent with the support of subscription rights and approximately 2 percent without the support of subscription rights. In addition, approximately 13 percent of the rights issue is allocated to the guarantors Weland Group. With a subscription price of 5.5 SEK, which is close to the market price per share, it is not surprising that the rights issue is not subscribed in full.

Figure 2: Cash flow and cash holdings



Source: Västra Hamnen Corporate Finance

As can be seen in figure 2 above, we believe that the recently finished right issue will be sufficient financing until positive free cashflow. Therefore, we have not forecasted any further equity issues in the company, given that our economic scenario plays out accordingly.

We increase our fair value interval

Due to the two large orders we have decided to revise up our projected sales for the company, leading to a higher valuation interval. The orders add value by increasing the near-term profits, but maybe more importantly, they will work as a showcase and validate Heliospectra's offering towards food growers, boosting sales in the years to come. **After adjusting our DCF model, it points to an increased fair value interval from previously SEK 6.20 – 9.60 per share, to SEK 6.70 – 10.50 per share.**

Income Statement - Annual Data

kSEK	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e
Net revenues	36 039	45 370	38 344	128 340	197 790	327 443	437 254	538 072
Other revenues	729	615	1 160	-	-	-	-	-
Total revenues	36 768	45 985	39 504	128 340	197 790	327 443	437 254	538 072
Cost of goods sold	(22 347)	(30 057)	(22 007)	(78 741)	(121 096)	(204 366)	(273 653)	(335 529)
Personnel costs	(19 476)	(23 854)	(32 009)	(32 541)	(36 314)	(40 700)	(44 990)	(48 419)
Other external costs	(22 993)	(22 481)	(23 615)	(29 287)	(32 683)	(36 630)	(40 491)	(43 577)
Other operating expenses	(722)	(120)	(118)	-	-	-	-	-
EBITDA	(28 770)	(30 527)	(38 246)	(12 229)	7 696	45 747	78 119	110 548
Amortisation & depreciation	(4 319)	(2 725)	(3 686)	(3 560)	(4 041)	(4 479)	(4 835)	(5 126)
EBIT	(33 089)	(33 252)	(41 932)	(15 789)	3 655	41 268	73 284	105 423
Financials, net	(82)	(52)	(145)	(90)	(90)	(90)	(90)	(90)
EBT	(33 171)	(33 304)	(42 077)	(15 879)	3 565	41 178	73 194	105 333
Taxes	-	-	-	-	-	-	-	-
Net profit	(33 171)	(33 304)	(42 077)	(15 879)	3 565	41 178	73 194	105 333
Earnings per share (SEK)	(1,35)	(1,30)	(0,93)	(0,28)	0,06	0,73	1,30	1,87
Growth (%)								
Net revenues	na	na	na	na	na	na	na	na
EBITDA	na	na	na	na	na	494,4%	70,8%	41,5%
EBIT	na	na	na	na	na	1029,1%	77,6%	43,9%
Net profit	na	na	na	na	na	1055,0%	77,7%	43,9%
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	3,9%	14,0%	17,9%	20,5%
EBIT margin	neg	neg	neg	neg	1,8%	12,6%	16,8%	19,6%
EBT margin	neg	neg	neg	neg	1,8%	12,6%	16,7%	19,6%
Profit margin	neg	neg	neg	neg	1,8%	12,6%	16,7%	19,6%
Personnel costs	54,0%	52,6%	83,5%	25,4%	18,4%	12,4%	10,3%	9,0%
Total OPEX	119,8%	102,4%	145,4%	48,2%	34,9%	23,6%	19,5%	17,1%
Profitability (%)								
ROE	neg	neg	neg	neg	5,8%	40,0%	41,6%	37,4%
ROIC	neg	neg	neg	neg	6,8%	66,4%	119,2%	154,0%
ROCE	neg	neg	neg	neg	4,0%	28,8%	30,9%	28,3%

Source: Västra Hamnen Corporate Finance

Balance Sheet - Annual Data

kSEK	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e
Inventories	7 589	5 499	5 964	13 999	24 677	39 032	48 656	59 179
Short term receivables	10 021	6 869	12 820	29 066	49 984	77 813	97 295	118 802
Cash and cash equivalents	40 633	11 165	75 505	40 208	28 879	63 423	137 125	236 998
Total current assets	58 243	23 533	94 289	83 274	103 540	180 268	283 077	414 979
Tangible assets	1 148	1 309	1 523	2 353	3 401	4 254	4 949	5 515
Intangible assets	14 934	15 316	15 322	16 932	18 243	19 311	20 180	20 889
Total fixed assets	16 082	16 625	16 845	19 285	21 644	23 565	25 129	26 404
Total assets	74 325	40 158	111 134	102 559	125 183	203 833	308 206	441 383
Accounts payable	7 895	6 035	3 961	14 173	21 797	36 786	49 258	60 395
Short term liabilities	7 727	8 566	23 942	21 260	32 696	55 179	73 886	90 593
Total current liabilities	15 622	14 601	27 903	35 434	54 493	91 965	123 144	150 988
Long term liabilities	10 400	9 800	9 200	8 973	8 973	8 973	8 973	8 973
Other provisions	-	550	-	-	-	-	-	-
Total equity	48 303	15 207	74 032	58 153	61 718	102 896	176 090	281 423
Total equity and liabilities	74 325	40 158	111 135	102 560	125 184	203 834	308 207	441 384

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	2017	2018	2019e	2020e	2021e	2022e	2023e	2024e
Operating activities	(28 852)	(30 359)	(38 268)	(12 319)	7 607	45 657	78 029	110 458
Changes in working capital	(659)	4 771	6 324	(16 750)	(12 536)	(4 713)	2 073	(4 186)
Investing activities	(2 296)	(3 280)	(4 066)	(6 000)	(6 400)	(6 400)	(6 400)	(6 400)
Financing activities	(500)	(600)	100 338	(227)	-	-	-	-
Cash flow for the period	(32 307)	(29 468)	64 340	(35 296)	(11 329)	34 544	73 703	99 873
Beginning cash balance	72 940	40 633	11 165	75 505	40 208	28 879	63 423	137 125
Ending cash balance	40 633	11 165	75 505	40 208	28 879	63 423	137 125	236 998

Source: Västra Hamnen Corporate Finance

Income Statement - Quarterly Data

kSEK	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019e	Q1 2020e	Q2 2020e
Net revenues	16 963	11 083	9 657	7 087	6 002	15 598	21 653	34 867
Other revenues	21	25	-	151	1 009	-	-	-
Total revenues	16 984	11 108	9 657	7 238	7 011	15 598	21 653	34 867
Cost of goods sold	(10 989)	(7 598)	(5 352)	(3 719)	(3 865)	(9 071)	(12 864)	(21 937)
Personnel costs	(5 966)	(7 595)	(6 801)	(7 891)	(9 629)	(7 688)	(7 934)	(7 954)
Other external costs	(3 969)	(7 217)	(6 036)	(5 845)	(4 815)	(6 919)	(7 141)	(7 159)
Other operating expenses	8	17	50	(235)	67	-	-	-
EBITDA	(3 932)	(11 285)	(8 482)	(10 452)	(11 231)	(8 081)	(6 287)	(2 182)
Amortisation & depreciation	(675)	(735)	(947)	(959)	(970)	(810)	(842)	(875)
EBIT	(4 607)	(12 020)	(9 429)	(11 411)	(12 201)	(8 891)	(7 129)	(3 058)
Financials, net	(191)	(10)	(54)	(50)	(18)	(23)	(23)	(23)
EBT	(4 798)	(12 030)	(9 483)	(11 461)	(12 219)	(8 914)	(7 152)	(3 080)
Taxes	-	-	-	-	-	-	-	-
Net profit	(4 798)	(12 030)	(9 483)	(11 461)	(12 219)	(8 914)	(7 152)	(3 080)
Earnings per share (SEK)	(0,13)	(0,33)	(0,27)	(0,24)	(0,26)	(0,16)	(0,13)	(0,05)
Y-o-Y Growth (%)								
Net revenues	na	na	na	na	na	na	na	na
EBITDA	na	na	na	na	na	na	na	na
EBIT	na	na	na	na	na	na	na	na
Net profit	na	na	na	na	na	na	na	na
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	neg	neg	neg	neg
EBIT margin	neg	neg	neg	neg	neg	neg	neg	neg
EBT margin	neg	neg	neg	neg	neg	neg	neg	neg
Profit margin	neg	neg	neg	neg	neg	neg	neg	neg
Personnel costs	35,2%	68,5%	70,4%	111,3%	160,4%	49,3%	36,6%	22,8%
Total OPEX	58,5%	133,5%	132,4%	197,1%	239,5%	93,7%	69,6%	43,3%
Profitability (%)								
ROE	neg	neg	neg	neg	neg	neg	neg	neg
ROIC	neg	neg	neg	neg	neg	neg	neg	neg
ROCE	neg	neg	neg	neg	neg	neg	neg	neg

Source: Västra Hamnen Corporate Finance

Balance Sheet - Quarterly Data

kSEK	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019e	Q1 2020e	Q2 2020e
Inventories	8 207	5 499	5 928	11 939	11 010	5 964	8 459	14 424
Short term receivables	14 226	6 869	7 799	12 817	12 370	12 820	17 797	28 658
Cash and cash equivalents	18 191	11 165	7 979	29 047	13 863	75 505	63 455	42 044
Total current assets	40 624	23 533	21 706	53 803	37 243	94 289	89 710	85 126
Tangible assets	856	1 309	1 242	1 229	1 340	1 523	1 747	1 960
Intangible assets	14 430	15 316	15 134	14 668	14 865	15 322	15 756	16 168
Total fixed assets	15 286	16 625	16 376	15 897	16 205	16 845	17 503	18 127
Total assets	55 910	40 158	38 082	69 700	53 448	111 134	107 213	103 254
Accounts payable	-	6 035	-	16 371	12 653	3 961	5 313	8 593
Short term liabilities	18 750	8 566	12 802	-	-	23 942	25 970	21 889
Total current liabilities	18 750	14 601	12 802	16 371	12 653	27 903	31 284	30 482
Long term liabilities	9 950	9 800	19 527	9 550	9 350	9 200	9 050	8 973
Other provisions	-	550	-	-	-	-	-	-
Total equity	27 209	15 207	5 753	43 776	31 446	74 032	66 880	63 800
Total equity and liabilities	55 909	40 158	38 082	69 697	53 449	111 135	107 214	103 255

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019e	Q1 2020e	Q2 2020e
Operating activities	(4 131)	(11 256)	(8 507)	(10 453)	(11 204)	(8 104)	(6 309)	(2 205)
Changes in working capital	(3 391)	6 466	(3 720)	(7 460)	(2 342)	19 846	(4 090)	(17 629)
Investing activities	(257)	(2 086)	(686)	(480)	(1 280)	(1 450)	(1 500)	(1 500)
Financing activities	(150)	(150)	9 727	39 461	(358)	51 350	(150)	(77)
Cash flow for the period	(7 929)	(7 026)	(3 186)	21 068	(15 184)	61 642	(12 050)	(21 411)
Beginning cash balance	26 120	18 191	11 165	7 979	29 047	13 863	75 505	63 455
Ending cash balance	18 191	11 165	7 979	29 047	13 863	75 505	63 455	42 044

Source: Västra Hamnen Corporate Finance

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