

Update Q3 report

2020-11-24

LED iBond: Q3 beats our estimates

- Stronger from both revenue and cost side compared to estimates
- The company cites adverse effects from COVID-19
- We reiterate our fair value interval of DKK 16.60 – 26.30 per share

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Stock ticker: LEDIBOND
Industry: Electrical products
Listed on: First North Copenhagen
Latest stock price (DKK): 16,42
Market cap (MDKK): 208,4
Enterprise Value (MDKK): 193,4
Total number of shares (M): 12,69
- of which free float (M): 4,57

VHCF fair value per share

DCF model 16,60 - 26,30

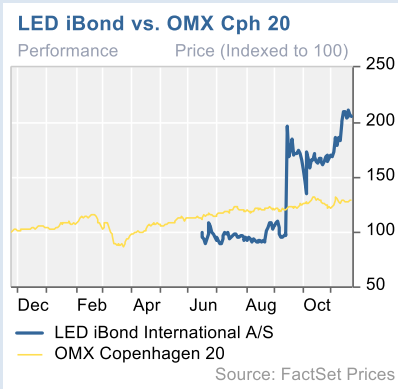
LED iBond International A/S

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CEO: Rolf. H Sprunk-Jansen

Main owners (11 Nov 2020)

Company	Capital (%)
NLR Invest ApS	26,60%
LAROMINI ApS	21,74%
Green Technology Investment ApS	15,63%

Stock price history



	-1m	-3m	-12m
Change (%)	24,8	118,9	na
52 w k range (Low /Hi) - DKK		7,00 - 19,00	

Source: FactSet

LED iBond delivered a somewhat stronger Q3 report compared with our estimates. We had anticipated a more pronounced drop in revenues in Q3 due to the pandemic, but the actual outcome was a marked improvement over Q2. Together with an unanticipated government compensation and lower than expected operating expenditures, it produced an EBITDA that was DKK 2.9 million stronger than we had expected. However, we make only minor adjustments to our relatively fresh economic scenario and maintain our fair value estimate for the share of DKK 16.60 – 26.30.

The company cites significant adverse impact from COVID-19 as reason for the lower revenues compared with the corresponding period last year. This is particularly noticeable in the Smart Building market segment. However, we had fully anticipated a tough quarter in our scenario. In fact, we had expected even lower revenues but continued demand for the Kitchen Line sold through Nobia contributed strongly on the positive side.

Comparing the reported financials to our estimates, Net revenues exceeded our forecast by DKK 1.5 million for a total of DKK 2.3 million, cf. Table 2 next page. Further adding to revenues, the company received DKK 1.7 million in pandemic-related government compensation which we had not anticipated. On the cost side, both Personnel expenses and Other external expenses came in slightly lower than expected. This explains why EBITDA nearly broke even at DKK -0.1 million where we had expected DKK -3.0 million. However, higher than expected depreciation explains why the net loss outperformed our estimate by only DKK 1.5 million as it posted a net loss of DKK 2.3 million.

Despite a stronger operating result, cash at the end of the quarter came in DKK 2.1 million below our estimate. This can be explained by higher than expected outlays on working capital and investments in intangible assets, i.e. assets related to intellectual property.

Table 1: Financial Overview

MDKK	2 018	2 019	2020e	2021e	2022e
Net turnover	6,5	11,8	6,3	31,9	81,5
Growth (%)	na	80,0%	(46,7%)	408,1%	155,2%
Gross margin (%)	35,1%	37,9%	33,9%	34,9%	34,5%
EBIT	(16,1)	(17,5)	(14,9)	(13,2)	2,8
EBIT margin (%)	neg	neg	neg	neg	3,4%
Cash holdings	13,0	6,4	27,3	23,0	11,6
Total assets	66,5	58,0	80,4	93,7	95,7
Total equity	19,6	32,7	44,8	44,6	47,4
Solidity (%)	29,5%	56,3%	55,7%	47,6%	49,5%
P/E	neg	neg	neg	neg	96,3
ROE	neg	neg	neg	neg	4,6%
EV/EBIT (x)	neg	neg	neg	neg	68,6
EV/Sales (x)	29,5	16,4	30,8	6,1	2,4

Source: Västra Hamnen Corporate Finance

Table 2: Estimates vs actual, Q3 2020

kDKK	Q3 '19	Q3 '20est	Q3 '20act	Diff
Net Revenues	3 092	750	2 264	1 514
Grants & compensations	-	-	1 664	1 664
Total Revenues	3 092	750	3 928	3 178
Cost of Goods Sold	(1 860)	(500)	(1 446)	(946)
Personnel Expenses	(2 254)	(1 835)	(1 430)	405
Other Operating Expenses	(1 320)	(1 437)	(1 145)	292
Total OPEX	(5 434)	(3 772)	(4 021)	(249)
EBITDA	(2 342)	(3 022)	(93)	2 929
Amortisation and Depreciation	(2 907)	(1 558)	(2 675)	(1 117)
EBIT	(5 249)	(4 580)	(2 768)	1 812
Net Financial Items	(2 075)	(246)	(135)	111
EBT	(7 324)	(4 825)	(2 903)	1 922
Tax	1 611	1 062	639	(423)
Net Profit	(5 713)	(3 764)	(2 264)	1 499
Cash and Equivalents	n.a.	17 462	15 409	(2 053)
Total Equity	n.a.	46 600	48 100	1 499

Source: Västra Hamnen Corporate Finance

We nudge Q4 revenue estimates higher

The deviations from our forecasts were fairly modest and do not justify any major revisions to the scenario we presented in our Initial Research report earlier this month. We have made some small adjustments, however. Our scenario had a Net revenue forecast for Q4 of only DKK 1.1 million, i.e. less than half the actual outcome in Q3. Considering that the company sees a steady demand for its Kitchen Line, and in addition states that the handheld disinfection device puriZAP will be ready for shipping during the quarter, we have decided to raise the revenue forecast somewhat for Q4. Longer out, our forecast is unchanged.

The company states lower travel and administration costs as reason for the recent drop in operating expenses. Due to tightened travel restrictions, LED iBond is for now focusing its sales efforts on Denmark which we expect to limit expenditure for a few quarters longer. We have made a marginal downward adjustment of our opex estimates because of this. These adjustments are however modest in size and do not alter our view of the company's valuation.

Many promising opportunities for 2021

We look forward to 2021 with excitement for LED iBond, given its broad portfolio of opportunities. The pandemic is admittedly a double-edged sword, on the one hand it increases the demand for the company's UV-C disinfectant solutions but on the other it holds back some of their sales efforts. The first order for disinfectant solutions for airport security checks which it has entered with Vanderlande could still be a door-opener for an enormous global market. Also next year, the first deliveries of vertical farming solutions are expected to be made in partnership with Senmatic. On top of these, we would not be surprised to see more partnerships being entered in these and other application areas.

We keep our valuation unchanged

For now, we keep the major assumptions underpinning our valuation model and reiterate our fair value estimate for the stock of DKK 16.60 – 26.30 per share.

Income Statement - Annual Data

kDKK	2018	2019	2020e	2021e	2022e	2023e	2024e	2025e
Net turnover	6 549	11 788	6 286	31 942	81 522	152 457	205 910	262 798
Other operating income	-	1 782	1 664	563	766	1 043	1 418	1 930
Total revenues	6 549	13 570	7 950	32 505	82 288	153 499	207 328	264 727
Cost of goods sold	(4 253)	(7 318)	(4 154)	(20 799)	(53 390)	(100 005)	(135 550)	(173 525)
Gross profit	2 296	6 252	3 796	11 706	28 898	53 495	71 779	91 202
Staff costs	(6 553)	(6 416)	(6 474)	(10 498)	(11 676)	(13 286)	(15 683)	(18 639)
Other external costs	(5 001)	(5 007)	(5 111)	(8 271)	(9 199)	(10 468)	(12 356)	(14 685)
EBITDA	(9 258)	(5 170)	(7 789)	(7 064)	8 023	29 741	43 740	57 878
Amortisation & depreciation	(6 798)	(12 312)	(7 069)	(6 162)	(5 205)	(4 425)	(3 790)	(3 272)
EBIT	(16 056)	(17 482)	(14 858)	(13 226)	2 818	25 316	39 950	54 606
Net financial items	(2 895)	(3 757)	(4 111)	(331)	(45)	502	1 107	1 582
EBT	(18 952)	(21 239)	(18 969)	(13 557)	2 774	25 818	41 057	56 189
Taxes	4 194	4 377	3 763	2 983	(610)	(5 680)	(9 033)	(12 362)
Net profit	(14 757)	(16 861)	(15 206)	(10 575)	2 164	20 138	32 024	43 827
Earnings per share (DKK)	n.a.	n.a.	(1,56)	(0,80)	0,22	1,65	2,61	3,58
Growth (%)								
Net turnover	na	80,0%	-46,7%	408,1%	155,2%	87,0%	35,1%	27,6%
EBITDA	na	na	na	na	na	270,7%	47,1%	32,3%
EBIT	na	na	na	na	na	798,2%	57,8%	36,7%
Net profit	na	na	na	na	na	830,8%	59,0%	36,9%
% of revenues (%)								
Gross margin	35,1%	37,9%	33,9%	34,9%	34,5%	34,4%	34,2%	34,0%
EBITDA margin	neg	neg	neg	neg	9,8%	19,4%	21,1%	21,9%
EBIT margin	neg	neg	neg	neg	3,4%	16,5%	19,3%	20,6%
EBT margin	neg	neg	neg	neg	3,4%	16,8%	19,8%	21,2%
Profit margin	neg	neg	neg	neg	2,6%	13,1%	15,4%	16,6%
Personnel costs	100,1%	54,4%	103,0%	32,9%	14,3%	8,7%	7,6%	7,1%
Total OPEX	176,4%	96,9%	184,3%	58,8%	25,6%	15,6%	13,6%	12,7%
Profitability (%)								
ROE	neg	neg	neg	neg	4,6%	29,4%	31,5%	29,8%
ROIC	neg	neg	neg	neg	2,6%	24,4%	34,8%	40,9%
ROCE	neg	neg	neg	neg	4,0%	27,7%	29,2%	24,1%

Source: Västra Hamnen Corporate Finance

Balance Sheet - Annual Data

kDKK	2018	2019	2020e	2021e	2022e	2023e	2024e	2025e
Cash and cash eq	12 999	6 356	27 338	23 046	11 551	33 949	73 098	141 949
Inventory	7 066	4 564	5 918	13 771	20 646	18 526	24 774	30 665
Accounts receivables	802	817	1 447	8 484	18 935	28 207	37 588	46 421
Deferred tax asset	4 143	6 179	9 805	12 788	12 178	6 498	-	-
Receivables corporate tax	2 458	2 342	750	-	-	-	-	-
Accrued income and deferrec	393	615	660	2 903	2 880	2 145	2 858	3 530
Other receivables	1 134	308	710	4 131	5 162	4 632	6 194	7 666
Total current assets	28 995	21 181	46 628	65 123	71 352	93 956	144 512	230 231
Tangible assets	9 109	7 718	6 757	6 431	6 165	5 949	5 773	5 630
Intangible assets	28 189	28 872	26 074	21 237	17 298	14 089	11 476	9 347
Financial assets	186	252	922	922	922	922	922	922
Total fixed assets	37 484	36 843	33 752	28 590	24 385	20 960	18 171	15 899
Total assets	66 480	58 023	80 380	93 713	95 737	114 917	162 683	246 130
Short-term part of LT debt	959	1 300	991	991	691	291	-	-
Bank debts	1	1	-	-	-	-	-	-
Accounts payable	2 715	4 159	17 162	24 030	23 743	27 789	37 161	45 997
Other liabilities	6 048	2 997	7 560	14 137	16 956	15 496	18 839	23 318
Total current liabilities	9 723	8 457	25 713	39 158	41 390	43 577	56 000	69 315
Long-term liabilities	37 157	16 910	9 914	9 914	6 914	2 914	-	-
Total equity	19 600	32 656	44 751	44 638	47 430	68 423	101 611	147 020
Total equity and liabilities	66 480	58 023	80 378	93 711	95 734	114 914	157 611	216 335

Source: Västra Hamnen Corporate Finance

Cash flow statement

kDKK	2018	2019e	2020e	2021e	2022e	2023e	2024e	2025e
Operating CF ex chg in WC	-	-	(7 084)	(6 933)	8 607	31 098	48 544	73 405
Changes in working capital	-	-	15 527	(6 359)	(16 102)	(3 700)	(5 481)	(3 554)
Investing activities	-	-	(4 591)	(1 000)	(1 000)	(1 000)	(1 000)	(1 000)
Financing activities	-	-	17 760	10 000	(3 000)	(4 000)	(2 914)	-
Cash flow for the period	-	-	21 611	(4 292)	(11 495)	22 398	39 150	68 851
Beginning cash balance	-	-	-	21 611	17 319	5 824	28 222	67 371
Adjustments	-	-	-	-	-	-	-	-
Ending cash balance	-	-	21 611	17 319	5 824	28 222	67 371	136 222

Source: Västra Hamnen Corporate Finance

Income Statement - Quarterly Data

kDKK	Q2 2020	Q3 2020	Q4 2020e	Q1 2021e	Q2 2021e	Q3 2021e	Q4 2021e	Q1 2022e
Net turnover	354	2 264	1 650	6 730	7 268	8 268	9 677	13 692
Other operating income	-	1 664	-	125	135	146	157	170
Total revenues	354	3 928	1 650	6 855	7 403	8 413	9 834	13 862
Cost of goods sold	(386)	(1 446)	(1 080)	(4 399)	(4 739)	(5 379)	(6 283)	(8 981)
Gross profit	(32)	2 482	570	2 457	2 663	3 035	3 551	4 882
Staff costs	(1 947)	(1 430)	(1 650)	(2 514)	(2 634)	(2 659)	(2 691)	(2 803)
Other external costs	(1 474)	(1 145)	(1 300)	(1 980)	(2 075)	(2 095)	(2 120)	(2 208)
EBITDA	(3 453)	(93)	(2 380)	(2 038)	(2 046)	(1 720)	(1 260)	(130)
Amortisation & depreciation	(2 679)	(2 675)	(1 715)	(1 642)	(1 572)	(1 506)	(1 443)	(1 383)
EBIT	(6 132)	(2 768)	(4 095)	(3 679)	(3 618)	(3 226)	(2 703)	(1 513)
Net financial items	(3 778)	(135)	(198)	(96)	(88)	(79)	(69)	(59)
EBT	(9 910)	(2 903)	(4 293)	(3 775)	(3 706)	(3 305)	(2 773)	(1 572)
Taxes	2 180	639	944	830	815	727	610	346
Net profit	(7 730)	(2 264)	(3 349)	(2 944)	(2 890)	(2 578)	(2 163)	(1 226)
Earnings per share (DKK)	(0,86)	(0,18)	(0,26)	(0,22)	(0,22)	(0,19)	(0,16)	(0,09)
Y-o-Y Growth (%)								
Net turnover	(88,0%)	(23,2%)	(44,0%)	233,5%	1953,0%	265,2%	486,5%	103,5%
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 (%)								
Gross margin	-9,0%	36,1%	34,5%	34,6%	34,8%	34,9%	35,1%	34,4%
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	550,0%	63,2%	100,0%	37,3%	36,2%	32,2%	27,8%	20,5%
Total OPEX	966,4%	113,7%	178,8%	66,8%	64,8%	57,5%	49,7%	36,6%
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

kDKK	Q2 2020	Q3 2020	Q4 2020e	Q1 2021e	Q2 2021e	Q3 2021e	Q4 2021e	Q1 2022e
Cash and cash eq	20 383	15 409	27 338	24 255	16 703	13 167	23 046	10 870
Inventory	4 795	4 508	5 918	9 641	12 984	13 262	13 771	17 224
Accounts receivables	9	3 530	1 447	5 900	6 372	7 248	8 484	9 003
Deferred tax asset	7 035	8 861	9 805	10 636	11 451	12 178	12 788	13 134
Receivables corporate tax	2 373	1 187	750	-	-	-	-	-
Accrued income and deferrec	295	724	660	2 019	2 180	2 480	2 903	2 054
Other receivables	301	408	710	2 892	3 116	3 537	4 131	2 953
Total current assets	35 191	34 627	46 628	55 343	52 807	51 873	65 123	55 237
Tangible assets	7 050	6 849	6 757	6 669	6 585	6 506	6 431	6 359
Intangible assets	27 629	27 446	26 074	24 770	23 532	22 355	21 237	20 175
Financial assets	922	922	922	922	922	922	922	922
Total fixed assets	35 601	35 217	33 752	32 361	31 039	29 783	28 590	27 457
Total assets	70 792	69 844	80 380	87 704	83 845	81 656	93 713	82 694
Short-term part of LT debt	2 048	3 297	991	991	991	991	991	991
Bank debts	-	-	-	-	-	-	-	-
Accounts payable	4 205	2 703	17 162	21 691	20 775	20 630	24 030	14 763
Other liabilities	1 890	5 828	7 560	13 196	13 033	13 446	14 137	13 471
Total current liabilities	8 143	11 828	25 713	35 878	34 799	35 068	39 158	29 226
Long-term liabilities	12 285	9 914	9 914	9 914	9 914	9 914	9 914	9 914
Total equity	50 364	48 100	44 751	41 909	39 130	36 672	44 638	43 552
Total equity and liabilities	70 792	69 842	80 378	87 701	83 843	81 654	93 711	82 691

Source: Västra Hamnen Corporate Finance

Cash flow statement

kDKK	Q2 2020	Q3 2020	Q4 2020e	Q1 2021e	Q2 2021e	Q3 2021e	Q4 2021e	Q1 2022e
Operating CF ex chg in WC	(4 278)	(228)	(2 578)	(2 031)	(2 023)	(1 679)	(1 200)	(49)
Changes in working capital	3 374	(2 605)	14 758	(802)	(5 279)	(1 606)	1 329	(11 877)
Investing activities	(2 661)	(1 680)	(250)	(250)	(250)	(250)	(250)	(250)
Financing activities	17 610	150	-	-	-	-	10 000	-
Cash flow for the period	14 045	(4 363)	11 929	(3 083)	(7 552)	(3 535)	9 879	(12 176)
Beginning cash balance	6 338	19 772	15 409	27 338	24 255	16 703	13 167	23 046
Adjustments	-	-	-	-	-	-	-	-
Ending cash balance	20 383	15 409	27 338	24 255	16 703	13 167	23 046	10 870

Source: Västra Hamnen Corporate Finance

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