

Update: Report Q4 2020

2021-02-22

Heliospectra: Positioned for growth

- Ending 2020 with revenues and order intake on the rise
- Strong cash position following Q4 rights issue of SEK 50.6 million
- We reiterate our fair value interval of SEK 5.00 – 7.50 per share

Analysts

Alf Riple, CFA
073-840 4008
alf.riple@vhcorp.se

Jens Jacob Aabel Nordkvist
073-422 5876
jensjacob.aabelnordkvist@vhcorp.se

Stock ticker: HELIO
Industry: Electrical equipment
Listed on: Nasdaq First North
Latest stock price (SEK): 2,93
Market cap (MSEK): 226,3
Enterprise Value (MSEK): 180,3
Total number of shares (M): 77,25
- of which free float (M): 18,71

VHCF fair value per share
DCF model SEK 5,00 - 7,50

Heliospectra AB
Address: Fiskhamnsgatan 2
414 58 Göteborg
Webpage: heliospectra.com
CEO: Ali Ahmadian

Main owners (31 Dec 2020)

Owner	Capital (%)
Weland Värdepapper AB	22,5
Weland Stål AB	18,6
ADMA Förvaltnings AB	15,5
Midroc New Technology AB	11,5
Avanza Pension	3,5

Stock price history



Source: FactSet

Last week, Heliospectra released its full year report for 2020 and the report came in roughly as expected. Although the top line fell slightly short of our estimate, the bottom line came in stronger than we had foreseen, mainly due to better cost control during the period. The company was undoubtedly hit hard by the pandemic, and it is now encouraging to see that both sales and the order intake is starting to accelerate again. With a SEK 50.6 million capital injection providing the company with a strong financial position, we believe the company is on the right track to successfully take on 2021.

During the global pandemic, horticultural growers have been reluctant to invest in making their crop production more intelligent and resource efficient. To deal with the decline in demand, Heliospectra has used 2020 to reshape the organization. This groundwork has now been laid and with a pipeline of strong leads from marketing and sales efforts, the company is now well-positioned for future growth. Furthermore, travel restrictions due to the pandemic put a halt to the company's ability to travel and meet new potential customers during the majority of 2020. The company reports that it is now selling with full force again, which is reflected in the numbers for Q4.

As we mentioned in our previous research update, the pandemic certainly hurt the company in the short-term, but there may be advantages to reap for Heliospectra in the long-term. There are several reasons for this. We believe there exists a backlog in investment for growers, weaker competitors may have been pushed out of the market in turbulent times following the corona crisis and there is a network of potential new customers that has been built up from the company's successful lead generation during 2020.

Table 1: Financial Overview

MSEK	2019	2020	2021e	2022e	2023e
Total revenues	26,8	40,1	89,0	206,0	334,7
Growth (%)	(41,6%)	49,2%	122,1%	131,5%	62,5%
EBITDA	(47,7)	(36,1)	(15,0)	12,2	45,1
EBITDA margin (%)	neg	neg	neg	5,9%	13,5%
EBT	(51,7)	(40,2)	(18,4)	8,0	40,2
Cash holdings	54,2	55,5	28,5	36,7	78,8
Total assets	94,0	98,5	87,5	137,7	224,3
Total equity	60,7	67,9	49,5	57,5	97,6
Solidity (%)	64,6%	68,9%	56,6%	41,7%	43,5%
P/E	neg	neg	neg	28,5	5,6
ROE	neg	neg	neg	13,8%	41,1%
EV/EBIT (x)	neg	neg	neg	22,4	4,5
EV/Sales (x)	6,7	4,5	2,0	0,9	0,5

Source: Västra Hamnen Corporate Finance

Cost control measures paying off

When comparing the outcome of Heliospectra's fourth quarter with our expectations, certain differences become apparent. Both net revenues and the gross margin came in lower than our expectations. The gross margin discrepancy can mainly be attributed to a changing product mix, something the company says they wish to improve in the future. Personnel expenses came in significantly lower than our estimates despite the fact that no short-term layoffs occurred during Q3 and Q4. The reason for this is that the number of employees has decreased during 2020. This remedy fulfills Heliospectra's previously stated objective of implementing cost control measures.

Table 2: Estimates vs actual, Q4 2020

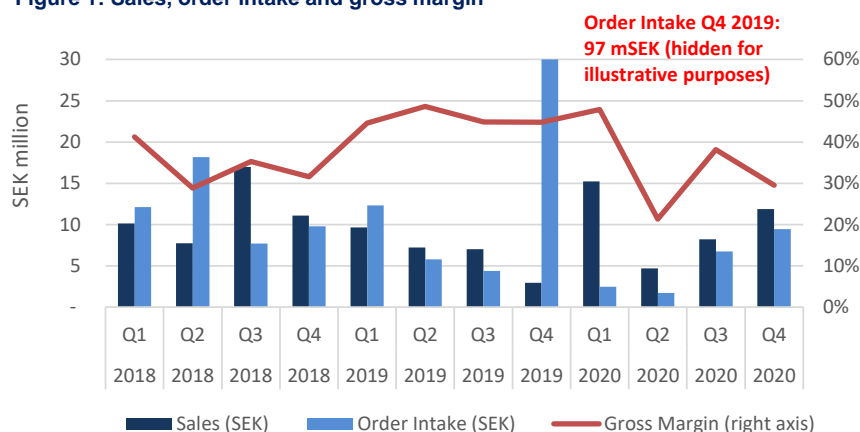
kSEK	Q4 '19	Q4 '20e	Q4 '20 act	Diff
Net Revenues	2 784	12 901	11 296	(1 605)
Other Revenues	150	0	581	581
Total Revenues	2 934	12 901	11 877	(1 024)
Cost of Goods Sold	(1 619)	(7 725)	(8 365)	(640)
Gross margin	42%	40%	26%	-14%
Personnel Expenses	(9 552)	(8 543)	(5 598)	2 945
Other Operating Expenses	(9 309)	(6 834)	(6 468)	366
Total OPEX	(20 480)	(23 102)	(20 431)	2 671
EBITDA	(17 546)	(10 201)	(8 554)	1 647
Amortisation and Depreciation	(956)	(692)	(927)	(235)
EBIT	(18 502)	(10 893)	(9 481)	1 412
Net Financial Items	(11)	(23)	(4)	19
EBT	(18 513)	(10 916)	(9 485)	1 431
Net Profit	(18 513)	(10 916)	(9 485)	1 431
Cash and Equivalents	54 243	56 817	55 458	(1 359)
Total Equity	60 687	67 878	67 891	13

Source: Västra Hamnen Corporate Finance

Sales and order intake on the rise

Despite net revenues coming in lower than our estimates, sales increased by 51% compared to the previous year. The main driver behind this development is the increased volume of sales within the MITRA product series, whilst a sales volume increase of ELIXIA also contributed. Another positive aspect to consider is the order intake increase, illustrated in Figure 1 below. The order intake was at its lowest point 2020 during Q2 at SEK 1.7 million. The following increase to SEK 6.7 million in Q3 and SEK 9.4 million in Q4 is a show of strength and bodes well for the future.

Figure 1: Sales, order intake and gross margin



Source: Heliospectra, Västra Hamnen calculations

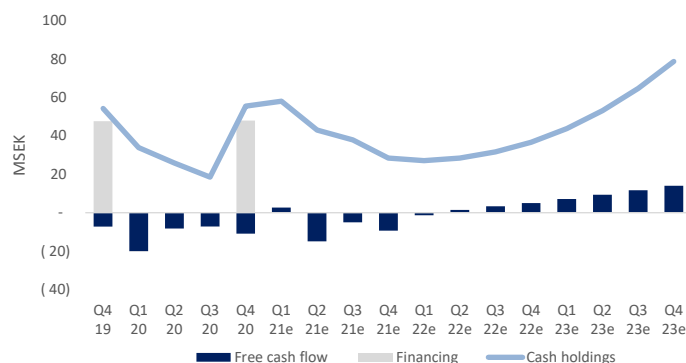
Strong cash position

During Q4 2020, Heliospectra carried out a rights issue of shares and warrants, which was subscribed to 124 percent. The rights issue provided the company with SEK 50.6 million before transaction costs, and an additional SEK 32.7 million if all warrants are exercised. The warrants from the rights issue can be exercised during November 2021 at the strike price of SEK 3.1. The rights issue entails that the current cash reserve amounts to SEK 55.5 million.

We have therefore assumed that Heliospectra will not carry out any more share issues during the forecast period. As can be seen in our forecast in Figure 2, we believe that the company's cash holdings will suffice until their free cash flow becomes positive at the

beginning of 2022. The outstanding warrant program could potentially provide an additional SEK 32.7 million in Q4 2021 if exercised. However, the warrants are not included in our cash holdings forecast since they are currently out-of-the-money.

Figure 2: Cash flow and cash holdings



Source: Västra Hamnen Corporate Finance

We revise our sales forecast

Looking ahead, we had previously forecasted a rapid growth in sales during 2021 with expected sales of SEK 134.5 million for the full year. Although our stance on the company remains positive, we have chosen to revise our near-term sales forecast to take a more conservative approach. Our sales forecast now points towards sales of SEK 89.0 million in 2021, which would still imply record sales figures for the company. We also believe several factors act in the company’s favor.

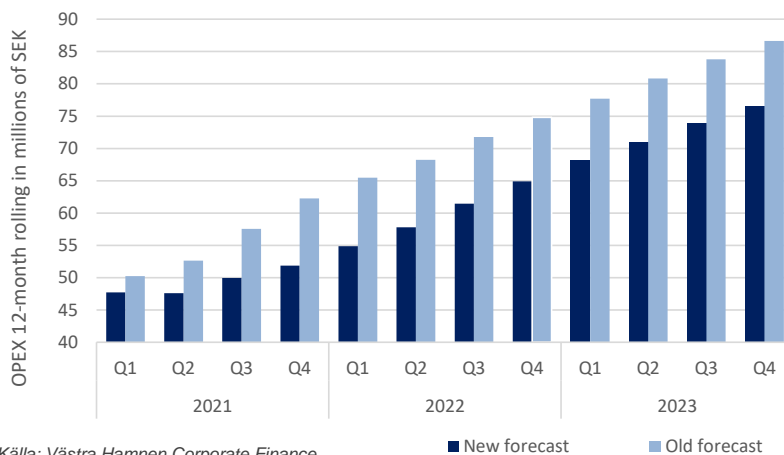
Strong demand may lead to increased investments

Firstly, the strong ending of the year in combination with the progression of COVID-19 vaccine distributions around the world puts the company in a good position to ramp up sales to growers that again will be willing to invest in capital expenditure. The pandemic has led to an increased demand for agricultural products while capex among food growers has lagged. The sector now has an immediate need to increase efficiency, a backlog of missed capex, and financial resources to invest when the pandemic wanes.

Secondly, the company has spent significant efforts on building a network of potential customers from its lead generations through webinar series in 2020. Depending on the evolution of the pandemic, we believe 2021 may be the year where the company starts benefiting from these leads.

From H2 2020, the company has also shown that its cost control measures are paying off. This has led us to revise our long-term forecast of the operational expenditure, see Figure 3 below.

Figure 3: Revised operational expenditure (12-month rolling)



Källa: Västra Hamnen Corporate Finance

As previously mentioned, the gross margin for the quarter came in well below our estimate at 26 percent (est: 40 percent). This is significantly lower than the average for the full year of 37 percent. The gross margin historically fluctuates from quarter to quarter and we see no reason to change our long-term assumptions at this stage.

Nectar Farms order still on the table

Regarding the company's blockbuster order from Nectar Farms in Australia, there is little new information other than that the site installations have yet to be built due to pandemic-related reasons. It is worth highlighting that we have applied a 60 percent risk-adjustment factor to reflect the uncertainties involved. Therefore, if the order is delivered, the effect on the top line will be greater than our current forecast figures project. Hopefully, the corona situation starts improving during 2021, and positive news regarding the delivery of the order can be communicated.

We reiterate our previous valuation interval

To summarize, we have a positive stance on the company's outlook due to the recent acceleration in sales and order intake. The reduction in forecasted sales in 2021 is offset by the reduction in forecasted operational expenditure, and the overall net effect is negligible in our valuation model. Heliospectra was hit hard by the pandemic, but in hindsight we believe that the company has done well and executed efforts to make the best out of a tough situation. It has expanded its potential customer base and at the same time focused on some much-needed cost control measures. **For now, we are optimistic about what these new collaborations can yield in 2021, and we reiterate our previous valuation interval of SEK 5.00 – 7.50 per share.**

Income Statement - Annual Data

kSEK	2018	2019	2020	2021e	2022e	2023e	2024e	2025e
Net revenues	45 370	25 530	38 634	88 961	205 971	334 729	442 452	522 976
Other revenues	615	1 310	1 422	-	-	-	-	-
Total revenues	45 985	26 840	40 056	88 961	205 971	334 729	442 452	522 976
Cost of goods sold	(30 057)	(14 555)	(25 093)	(52 061)	(128 868)	(213 163)	(281 354)	(331 032)
Personnel costs	(23 854)	(33 873)	(28 849)	(27 309)	(34 169)	(40 254)	(44 349)	(47 144)
Other external costs	(22 481)	(25 627)	(20 450)	(24 578)	(30 752)	(36 229)	(39 914)	(42 429)
Other operating expenses	(120)	(496)	(1 767)	-	-	-	-	-
EBITDA	(30 527)	(47 711)	(36 103)	(14 988)	12 181	45 083	76 836	102 371
Amortisation & depreciation	(2 725)	(3 832)	(4 138)	(3 304)	(4 137)	(4 816)	(5 369)	(5 819)
EBIT	(33 252)	(51 543)	(40 241)	(18 292)	8 044	40 267	71 467	96 552
Financials, net	(52)	(133)	8	(94)	(94)	(94)	(94)	(94)
EBT	(33 304)	(51 676)	(40 233)	(18 386)	7 950	40 173	71 374	96 458
Taxes	-	-	-	-	-	-	-	-
Net profit	(33 304)	(51 676)	(40 233)	(18 386)	7 950	40 173	71 374	96 458
Earnings per share (SEK)	(1,30)	(1,11)	(0,68)	(0,24)	0,10	0,52	0,92	1,25
Growth (%)								
Net revenues	na	na	na	na	na	na	na	na
EBITDA	na	na	na	na	na	270,1%	70,4%	33,2%
EBIT	na	na	na	na	na	400,6%	77,5%	35,1%
Net profit	na	na	na	na	na	405,3%	77,7%	35,1%
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	5,9%	13,5%	17,4%	19,6%
EBIT margin	neg	neg	neg	neg	3,9%	12,0%	16,2%	18,5%
EBT margin	neg	neg	neg	neg	3,9%	12,0%	16,1%	18,4%
Profit margin	neg	neg	neg	neg	3,9%	12,0%	16,1%	18,4%
Personnel costs	52,6%	132,7%	74,7%	30,7%	16,6%	12,0%	10,0%	9,0%
Total OPEX	102,4%	235,0%	132,2%	58,3%	31,5%	22,8%	19,0%	17,1%
Profitability (%)								
ROE	neg	neg	neg	neg	13,8%	41,1%	42,2%	36,3%
ROIC	neg	neg	neg	neg	21,2%	113,5%	262,0%	415,7%

Source: Västra Hamnen Corporate Finance

Balance Sheet - Annual Data

kSEK	2018	2019	2020	2021e	2022e	2023e	2024e	2025e
Inventories	5 499	15 931	18 261	12 990	26 232	40 412	49 853	57 168
Short term receivables	6 869	7 150	9 999	26 813	51 915	79 106	98 228	113 044
Cash and cash equivalents	11 165	54 243	55 458	28 464	36 655	78 840	156 728	256 402
Total current assets	23 533	77 324	83 718	68 267	114 802	198 358	304 809	426 613
Tangible assets	1 309	2 125	1 819	2 966	3 899	4 660	5 280	5 784
Intangible assets	15 316	14 548	12 945	16 290	19 015	21 235	23 042	24 515
Total fixed assets	16 625	16 673	14 764	19 256	22 915	25 895	28 322	30 299
Total assets	40 158	93 997	98 482	87 523	137 717	224 252	333 131	456 912
Accounts payable	6 035	-	-	11 453	28 351	46 896	61 898	72 827
Short term liabilities	8 566	24 110	21 207	17 180	42 527	70 344	92 847	109 241
Total current liabilities	14 601	24 110	21 207	28 634	70 878	117 240	154 745	182 068
Long term liabilities	9 800	9 200	9 384	9 384	9 384	9 384	9 384	9 384
Other provisions	550	-	-	-	-	-	-	-
Total equity	15 207	60 687	67 891	49 505	57 455	97 629	169 002	265 460
Total equity and liabilities	40 158	93 997	98 482	87 523	137 717	224 252	333 131	456 912

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	2018	2019	2020	2021e	2022e	2023e	2024e	2025e
Operating activities	(30 359)	(47 776)	(36 522)	(15 082)	12 087	44 989	76 742	102 277
Changes in working capital	4 771	(1 754)	(8 082)	(4 116)	3 900	4 991	8 941	5 193
Investing activities	(3 280)	(4 066)	(2 230)	(7 796)	(7 796)	(7 796)	(7 796)	(7 796)
Financing activities	(600)	96 647	50 785	-	-	-	-	-
Cash flow for the period	(29 468)	43 078	1 215	(26 994)	8 192	42 185	77 888	99 674
Beginning cash balance	40 633	11 165	54 243	55 458	28 464	36 655	78 840	156 728
Ending cash balance	11 165	54 243	55 458	28 464	36 655	78 840	156 728	256 402

Source: Västra Hamnen Corporate Finance

Income Statement - Quarterly Data

kSEK	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021e	Q2 2021e	Q3 2021e	Q4 2021e
Net revenues	15 200	4 674	7 464	11 296	13 247	17 969	25 123	32 622
Other revenues	50	22	769	581	-	-	-	-
Total revenues	15 250	4 696	8 233	11 877	13 247	17 969	25 123	32 622
Cost of goods sold	(7 947)	(3 693)	(5 088)	(8 365)	(7 359)	(10 060)	(14 886)	(19 756)
Personnel costs	(9 031)	(8 172)	(6 048)	(5 598)	(6 297)	(6 818)	(6 835)	(7 359)
Other external costs	(6 576)	(3 974)	(4 318)	(5 582)	(5 667)	(6 136)	(6 151)	(6 623)
Other operating expenses	326	(966)	(241)	(886)	-	-	-	-
EBITDA	(7 978)	(12 109)	(7 462)	(8 554)	(6 077)	(5 045)	(2 749)	(1 117)
Amortisation & depreciation	(1 079)	(1 075)	(1 057)	(927)	(738)	(799)	(856)	(911)
EBIT	(9 057)	(13 184)	(8 519)	(9 481)	(6 815)	(5 844)	(3 605)	(2 028)
Financials, net	4	47	(39)	(4)	(23)	(23)	(23)	(23)
EBT	(9 053)	(13 137)	(8 558)	(9 485)	(6 839)	(5 867)	(3 628)	(2 051)
Taxes	-	-	-	-	-	-	-	-
Net profit	(9 053)	(13 137)	(8 558)	(9 485)	(6 839)	(5 867)	(3 628)	(2 051)
Earnings per share (SEK)	(0,16)	(0,24)	(0,15)	(0,12)	(0,09)	(0,08)	(0,05)	(0,03)
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	59,4%	174,8%	81,0%	49,6%	47,5%	37,9%	27,2%	22,6%
Total OPEX	100,5%	280,5%	142,1%	106,8%	90,3%	72,1%	51,7%	42,9%
Profitability (%)								
ROE	neg	neg	neg	neg	neg	neg	neg	neg
ROIC	neg	neg	neg	neg	neg	neg	0,0%	0,0%

Source: Västra Hamnen Corporate Finance

Balance Sheet - Quarterly Data

kSEK	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021e	Q2 2021e	Q3 2021e	Q4 2021e
Inventories	13 029	12 474	17 091	18 261	7 662	6 615	6 525	12 990
Short term receivables	17 009	9 409	10 181	9 999	10 888	14 769	20 649	26 813
Cash and cash equivalents	33 933	25 871	18 500	55 458	58 031	43 040	37 917	28 464
Total current assets	63 971	47 754	45 772	83 718	76 581	64 424	65 091	68 267
Tangible assets	2 010	1 853	1 753	1 819	2 128	2 422	2 701	2 966
Intangible assets	13 735	12 877	12 090	12 945	13 847	14 703	15 517	16 290
Total fixed assets	15 745	14 730	13 843	14 764	15 975	17 125	18 218	19 256
Total assets	79 716	62 484	59 615	98 482	92 556	81 549	83 309	87 523
Accounts payable	-	-	-	-	3 431	6 792	8 947	11 453
Short term liabilities	19 070	14 814	20 552	21 207	18 688	10 188	13 421	17 180
Total current liabilities	19 070	14 814	20 552	21 207	22 119	16 980	22 369	28 634
Long term liabilities	9 050	9 273	9 268	9 384	9 384	9 384	9 384	9 384
Other provisions	-	-	-	-	-	-	-	-
Total equity	51 595	38 397	29 795	67 891	61 052	55 185	51 557	49 505
Total equity and liabilities	79 715	62 484	59 615	98 482	92 556	81 549	83 309	87 523

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021e	Q2 2021e	Q3 2021e	Q4 2021e
Operating activities	(8 016)	(12 171)	(7 506)	(8 829)	(6 100)	(5 069)	(2 772)	(1 141)
Changes in working capital	(11 997)	3 899	349	(333)	10 623	(7 973)	(402)	(6 364)
Investing activities	(151)	(60)	(170)	(1 849)	(1 949)	(1 949)	(1 949)	(1 949)
Financing activities	(146)	270	(44)	47 969	-	-	-	-
Cash flow for the period	(20 310)	(8 062)	(7 371)	36 958	2 573	(14 991)	(5 123)	(9 453)
Beginning cash balance	54 243	33 933	25 871	18 500	55 458	58 031	43 040	37 917
Ending cash balance	33 933	25 871	18 500	55 458	58 031	43 040	37 917	28 464

Source: Västra Hamnen Corporate Finance

Disclaimer

This marketing material has been prepared by Västra Hamnen Corporate Finance AB ("Västra Hamnen").

The material has not been prepared in accordance with the regulations designed to promote the independence of investment research and it is not subject to any legal prohibition on dealing ahead of the dissemination of the report.

The material has been prepared on the basis of publicly available information that Västra Hamnen has deemed to be reliable. However, it cannot be guaranteed that the information is correct. The material is published for marketing purposes and does not purport to constitute a basis for any investment decision. The information provided herein does not constitute investment advice and neither does the information take into consideration the individual needs, goals and circumstances of any particular recipient of this material. The reader is recommended to seek supplementary information elsewhere and to obtain relevant and specific professional advice before making any investment decision.

All views, opinions and conclusions communicated through this material shall be seen as valid on the publication date of this report only and are subject to change without notice. None of the information herein shall be construed as a recommendation or solicitation for the purchase or sale of any financial instrument.

In no event will Västra Hamnen be liable for direct, indirect or incidental damages resulting from the information in this report. Financial instruments can decrease as well as increase in value. Past performance is not indicative of future results.

The material is not directed at any such person, physical or legal, to whom the distribution of such material would imply a risk of violation of any laws or regulations applicable in Sweden or any other jurisdiction.

Contents of this report shall not be copied, reproduced or distributed to any third party without prior written permission from Västra Hamnen.

Conflicts of interest

Recipients should note that this material has been commissioned by the company mentioned in this report and that Västra Hamnen has received remuneration from the company for the production of the report. The remuneration is fixed and predetermined and in no way dependent on the content of the report or the views expressed herein.

The company mentioned in the report has reviewed the material prior to publication. The recipient may assume that this review has led to changes in the factual information presented in the report. Any assumptions, conclusions and scenarios are however the result of Västra Hamnen's own analysis of available information.

Västra Hamnen has internal rules prohibiting all of its employees from buying or selling shares issued by companies with which Västra Hamnen has ongoing agreements to produce marketing material like the present.

Readers of this material are made aware that one of Heliospectra's main owners is Midroc New Technology AB, whose ownership interest is 11.5 percent of the capital and votes. Midroc New Technology AB is a fully owned subsidiary to Midroc Invest AB, which also holds a minority stake in Västra Hamnen. Midroc Invest AB has in no way been involved in the production of this material nor influenced its contents.

Västra Hamnen Corporate Finance AB

Jungmansgatan 12
211 11 Malmö
Telefon: +46 40 200 250
E-post: info@vhcorp.se
www.vhcorp.se

