

Update: Report Q4 2021

2022-03-03

Heliospectra: Strategic shift afoot

- Revenue higher but profits lower than expected
- New strategic shift announced during the quarter
- We maintain our valuation interval of SEK 3.60 – 5.60 per share

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Stock ticker: HELIO
Industry: Electrical equipment
Listed on: Nasdaq First North
Latest stock price (SEK): 1,40
Market cap (MSEK): 107,8
Enterprise Value (MSEK): 117,2
Total number of shares (M): 77,25
- of which free float (M): 24,64

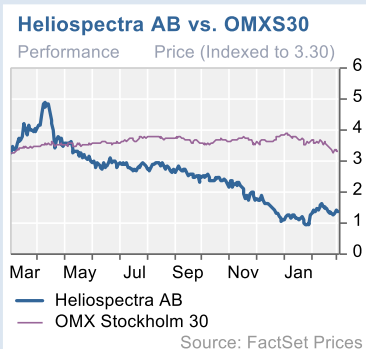
VHCF fair value per share
DCF model SEK 3.60 - 5.60

Heliospectra AB
Address: Fiskhamngatan 2
414 58 Göteborg
Webpage: heliospectra.com
Acting CEO: Bonny Heeren

Main owners (31 Dec 2021) Capital (%)

Weland Värdepapper AB	22,5
Weland Stål AB	18,6
ADMA Förvaltnings AB	15,5
Corespring New Technology AB	11,5
Avanza Pension	3,1

Stock price history



	-1m	-3m	-12m
Change (%)	-3,4	-19,5	-57,5
52 w k range (Low /Hi) - SEK		0,85 / 5,00	

Source: FactSet

Heliospectra's year-end report for 2021 showed a Q4 revenue that beat our forecast but an order intake on the low side. Ali Ahmadian stepped down as CEO during the quarter, with board member Bonny Heeren stepping in as acting CEO. The company also announced a new strategic shift towards sustainable data-driven cultivation and a more customer centric approach. We choose to await more concrete evidence before incorporating the strategic shift into our forecast. Hence, we maintain our valuation range of SEK 3.60 – 5.60 per share.

Net turnover in Q4 was SEK 11.3 million, which represents the best quarter in 2021 and is in line with Q4 '20 (SEK 11.3 million). The order intake, however, was SEK 4.2 million and is substantially lower than the SEK 9.4 million recorded in Q4 '20, ref. Figure 1 on next page. The gross margin proved to be volatile once again just like in previous quarters, coming in at 42 percent. The gross margin in Q4 '20 was 26 percent. OPEX was also once again surprisingly high, coming in at SEK 19.6 million. Heliospectra announced a write-down of SEK 16.7 million related to the company's change in strategy. This meant loss for the period totalled SEK 27.9 million, which to our knowledge is the company's biggest quarterly loss recorded. Net turnover for 2021 was SEK 35.2 million while loss for the period was SEK 60 million. Heliospectra exited 2021 with cash holdings of SEK 10.7 million.

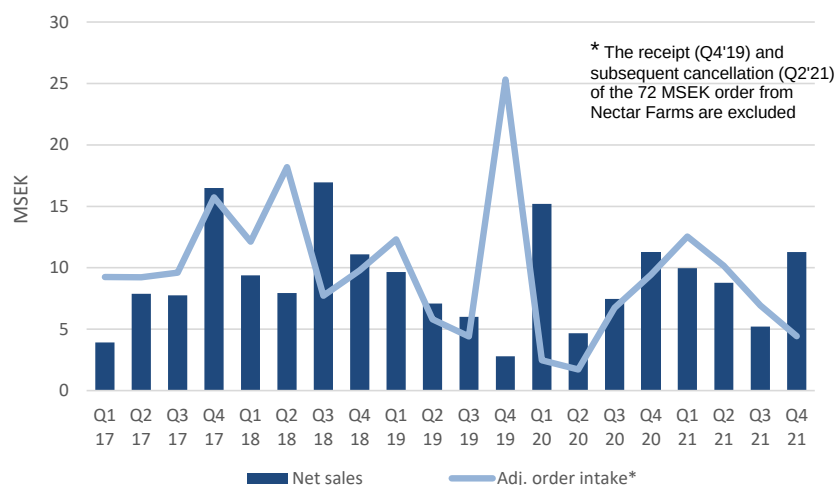
The biggest news of the quarter is that Ali Ahmadian stepped down as CEO of Heliospectra. Ahmadian took over as CEO for the company in 2017 and ended his tenure on 31 December 2021. Board member Bonny Heeren has stepped in as acting CEO until a new CEO is recruited. Heeren joined Heliospectra's board in May 2021 and has extensive experience from the horticulture and greenhouse industry. He has held numerous senior positions within light and sustainable construction company Saint-Gobain Group, most recently as division manager for Horticulture, and sits as an investor in several start-up companies within AgTech.

Table 1: Financial Overview

MSEK	2020	2021	2022e	2023e	2024e
Total revenues	42,5	48,0	87,6	235,2	384,9
Growth (%)	58,5%	12,9%	82,4%	168,5%	63,6%
EBITDA	-36,1	-38,9	-26,3	2,8	39,1
EBITDA margin (%)	neg	neg	neg	1,2%	10,2%
EBT	-40,2	-60,0	-29,9	-1,0	35,2
Cash holdings	55,5	10,7	16,3	10,9	62,9
Total assets	98,5	56,4	70,0	110,3	199,4
Total equity	67,9	8,0	21,3	20,3	55,5
Solidity (%)	68,9%	14,3%	30,4%	18,4%	27,8%
P/E	neg	neg	neg	neg	3,1
ROE	neg	neg	neg	neg	173,3%
EV/EBIT (x)	neg	neg	neg	neg	3,3
EV/Sales (x)	2,8	2,4	1,3	0,5	0,3

Source: Västra Hamnen Corporate Finance

Figure 1: Net sales and adjusted order intake*



Source: Heliospectra, Västra Hamnen Corporate Finance

Strategic shift towards sustainable data-driven cultivation

The company also announced a new strategic direction during the quarter towards sustainable data-driven cultivation. This entails a repositioning of the company from a supplier of LED lights to greenhouse and indoor growers towards a system supplier within Smart Farming. Heliospectra will combine its sensors, controllable LED lighting, helioCORE light software and AI solutions in order to achieve this. The aim is to help customers choose the right light spectrum for their needs within Smart Farming.

Customer centric approach

A key component in successfully implementing this strategic shift is to become more customer centric. According to Heeren, Heliospectra has historically focused too much on product development and too little on the customer's and market's needs. A helioCARE team under the supervision of the marketing manager has therefore been created, while Heeren has taken direct responsibility for sales and innovation. The ambition is to understand customer's needs with regards to lighting, energy consumption and Smart Farming.

Two new research projects added

Other news from the quarter include the addition of two new research projects under 2021. The first is with Carlton College in Minnesota, which was initiated because the college upgraded their greenhouse facility in order to achieve more control and flexibility. The second is a Belgian research project and studies how light affects crop output and resilience.

Higher revenue and gross margin than expected

Turning back to the financials for the quarter, Table 2 on the next page shows that reported revenue beat our forecast by almost SEK 2.5 million. This, combined with high capitalised development costs and other revenues, explains the SEK 5.3 million discrepancy in total revenues. COGS on the other hand was only SEK 0.9 million higher due to our estimate assuming a gross margin below the reported 42.2 percent.

Write-off of SEK 16.7 million recorded

The company's SEK 5.8 million higher OPEX is, in our view, explained by two factors: increased production costs as a result of a shortage of components and costs associated with the strategic change. However, the biggest discrepancy is found within depreciation, where the company reported a figure of SEK 17.9 million. This stems from a SEK 16.7 million write-off related to components and intangible assets as well as costs related to changes in the product offering and strategy. Taken altogether, this explains the lower-than-expected net profit and total equity.

Table 2: Estimates vs actual, Q4 2021

kSEK	Q4 '20	Q4 '21e	Q4 '21 act	Diff
Net Revenues	11 296	8 792	11 278	2 486
Capitalised development costs	1 709	2 000	3 966	1 966
Other Revenues	581	0	864	864
Total Revenues	13 586	10 792	16 108	5 316
Cost of Goods Sold	-8 365	-5 605	-6 522	-917
Gross margin	25,9%	36,2%	42,2%	5,9%
Personnel Expenses	-5 598	-6 344	-8 168	-1 824
Other Operating Expenses	-8 177	-7 393	-11 409	-4 016
Total OPEX	-13 775	-13 737	-19 577	-5 840
EBITDA	-8 554	-8 550	-9 991	-1 441
Amortisation and Depreciation	-927	-967	-17 905	-16 938
EBIT	-9 481	-9 517	-27 896	-18 379
Net Financial Items	-4	-6	3	9
EBT	-9 485	-9 523	-27 893	-18 370
Net Profit	-9 485	-9 523	-27 893	-18 370
Cash and Equivalents	55 458	15 721	10 723	-4 998
Total Equity	67 891	26 293	8 033	-18 260

Source: Västra Hamnen Corporate Finance

Changes to the product portfolio

Looking ahead to the rest of 2022 and onwards, the change in strategy will manifest itself in certain changes to the product offering. Apart from updating current products, the company plans to launch new products to enhance their offering within data-driven and wireless solutions. This includes launching an update of helioCORE, new MITRA LED lighting and the Adelfi. The latter is a wireless connector that allows MITRA to be integrated into helioCORE's control system and sensors. 2022 should therefore be seen as a transition year.

Directed share issue carried out

In order to fund this new strategic shift, Heliospectra recently carried out a directed issue of shares amounting to SEK 13.1 million to three of the company's main shareholders in Weland Stål AB, ADMA Förvaltnings AB and Corespring New Technology. These shareholders had previously provided short-term loans totalling SEK 17 million to the company. After certain repayments and write-offs, the loans totalled about SEK 13.1 million in February 2022. The issue has therefore been paid by offsetting the remaining claims of the loans, amounting to SEK 13.1 million, which the three shareholders had towards Heliospectra. The subscription price was SEK 1.53 per share, which constitutes a premium of around 12 percent compared to the closing price on 24 February 2022, while the number of shares increased by 8.6 million.

Capital injection expected

In the same press release, Heliospectra states that they are currently considering various ways in which they can obtain capital and that this directed share issue was done to create maximum flexibility in that regard. This corresponds well with our forecast where the company's cash reserves and equity are at low levels. We have assumed a capital injection of SEK 30 million in Q2 '22, but the sum and timing are pure speculation on our part. We do, however, expect some sort of capital injection to be announced given the statement in the press release. We therefore leave our forecast unchanged until more information materialises.

Strategic change seems sound and rational

In our view, the big write-offs recorded during the quarter illustrate that a substantial change will be implemented going forward. It also seems as if the foundation of this change has been laid with the creation of a helioCARE team and an updated product offering. Also, the fact that acting CEO Bonny Heeren has experience from and an extensive network within the horticulture and greenhouse industry increases the likelihood of gaining market share among food growers, something Heliospectra has struggled to achieve thus far. Our overall impression is that these announced changes seem sound and rational.

Operational turnaround may take some time

However, as various things are happening at once it is hard as an outsider to judge the changes before they have materially taken shape. 2022 being a transition year means we choose to be careful in expecting an operational turnaround during the year. We do, on

the other hand, expect the foundations to materialise in the coming quarters. Taken altogether, we chose to bide our time in order to see how this strategic shift manifests itself. The only adjustment we make to our valuation model is to delay the expected increase in revenue by a few quarters given the low order intake reported for the quarter (ref. Figure 1).

**We maintain our
valuation interval**

This minor adjustment bears no impact on our valuation model and while we await more information before incorporating the new strategy into our forecast, we maintain our valuation interval of SEK 3.60 – 5.60 per share.

Income Statement - Annual Data

kSEK	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e
Net revenues	38 634	35 221	82 859	231 249	380 859	483 421	550 591	612 340
Capitalised development cost:	2 482	11 609	4 750	4 000	4 000	4 000	4 000	4 000
Other revenues	1 422	1 191	0	0	0	0	0	0
Total revenues	42 538	48 021	87 609	235 249	384 859	487 421	554 591	616 340
Cost of goods sold	-25 093	-22 360	-52 396	-146 524	-244 528	-309 417	-351 616	-390 700
Personnel costs	-28 849	-25 061	-31 296	-44 626	-52 953	-57 595	-60 523	-63 131
Other external costs	-22 932	-34 902	-30 179	-41 307	-48 269	-52 149	-54 597	-56 778
Other operating expenses	-1 767	-4 643	0	0	0	0	0	0
EBITDA	-36 103	-38 945	-26 261	2 791	39 109	68 260	87 855	105 732
Amortisation & depreciation	-4 138	-21 031	-3 585	-3 780	-3 895	-3 988	-4 065	-4 127
EBIT	-40 241	-59 976	-29 847	-989	35 214	64 271	83 790	101 605
Financials, net	8	-1	-24	-24	-24	-24	-24	-24
EBT	-40 233	-59 977	-29 870	-1 012	35 190	64 248	83 767	101 581
Taxes	0	0	0	0	0	0	0	0
Net profit	-40 233	-59 977	-29 870	-1 012	35 190	64 248	83 767	101 581
Earnings per share (SEK)	-0,68	-0,78	-0,32	-0,01	0,37	0,67	0,88	1,07
Growth (%)								
Net revenues	58,5%	12,9%	82,4%	168,5%	63,6%	26,6%	13,8%	11,1%
EBITDA	na	na	na	na	1301,3%	74,5%	28,7%	20,3%
EBIT	na	na	na	na	na	82,5%	30,4%	21,3%
Net profit	na	na	na	na	na	82,6%	30,4%	21,3%
% of revenues (%)								
EBITDA margin	neg	neg	neg	1,2%	10,2%	14,0%	15,8%	17,2%
EBIT margin	neg	neg	neg	neg	9,1%	13,2%	15,1%	16,5%
EBT margin	neg	neg	neg	neg	9,1%	13,2%	15,1%	16,5%
Profit margin	neg	neg	neg	neg	9,1%	13,2%	15,1%	16,5%
Personnel costs	74,7%	71,2%	37,8%	19,3%	13,9%	11,9%	11,0%	10,3%
Total OPEX	138,6%	183,4%	74,2%	37,2%	26,6%	22,7%	20,9%	19,6%
Profitability (%)								
ROE	neg	neg	neg	neg	173,3%	115,8%	70,0%	49,9%
ROIC	neg	neg	neg	neg	1407,0%	neg	neg	0,0%

Source: Västra Hamnen Corporate Finance

Balance Sheet - Annual Data

kSEK	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e
Inventories	18 261	16 363	13 618	31 252	45 657	53 815	60 199	66 648
Short term receivables	9 999	12 186	21 511	48 852	71 039	84 250	94 286	104 505
Cash and cash equivalents	55 458	10 723	16 259	10 942	62 938	141 094	231 315	337 450
Total current assets	83 718	39 272	51 388	91 046	179 634	279 159	385 800	508 604
Tangible assets	1 819	1 298	1 428	1 534	1 621	1 691	1 748	1 795
Intangible assets	12 945	15 793	17 228	17 742	18 161	18 502	18 780	19 006
Total fixed assets	14 764	17 091	18 656	19 276	19 781	20 193	20 528	20 801
Total assets	98 482	56 363	70 044	110 323	199 416	299 352	406 328	529 405
Accounts payable	0	0	15 719	32 235	53 796	68 072	77 355	85 954
Short term liabilities	21 207	38 906	23 578	48 353	80 694	102 108	116 033	128 931
Total current liabilities	21 207	38 906	39 297	80 588	134 491	170 180	193 389	214 885
Long term liabilities	9 384	9 424	9 424	9 424	9 424	9 424	9 424	9 424
Other provisions	0	0	0	0	0	0	0	0
Total equity	67 891	8 033	21 323	20 311	55 501	119 749	203 516	305 097
Total equity and liabilities	98 482	56 363	70 044	110 323	199 416	299 352	406 328	529 405

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e
Operating activities	-36 522	-38 906	-26 285	2 767	39 085	68 236	87 831	105 708
Changes in working capital	-8 082	17 410	-6 189	-3 684	17 311	14 320	6 789	4 827
Investing activities	-2 230	-11 806	-5 150	-4 400	-4 400	-4 400	-4 400	-4 400
Financing activities	50 785	0	43 160	0	0	0	0	0
Cash flow for the period	1 215	-44 816	5 536	-5 317	51 996	78 157	90 221	106 135
Beginning cash balance	54 243	55 458	10 642	16 178	10 861	62 857	141 013	231 234
Ending cash balance	55 458	10 642	16 178	10 861	62 857	141 013	231 234	337 369

Source: Västra Hamnen Corporate Finance

Income Statement - Quarterly Data

kSEK	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e
Net revenues	9 960	8 768	5 215	11 278	10 045	16 101	23 998	32 715
Capitalised development cost:	2 262	3 245	2 136	3 966	1 500	1 250	1 000	1 000
Other revenues	153	13	161	864	0	0	0	0
Total revenues	12 375	12 026	7 512	16 108	11 545	17 351	24 998	33 715
Cost of goods sold	-7 044	-4 926	-3 868	-6 522	-6 385	-10 048	-15 252	-20 710
Personnel costs	-6 322	-5 916	-4 655	-8 168	-6 451	-7 247	-8 334	-9 265
Other external costs	-5 925	-9 002	-13 555	-6 420	-6 635	-7 091	-7 800	-8 653
Other operating expenses	631	-414	129	-4 989	0	0	0	0
EBITDA	-6 285	-8 232	-14 437	-9 991	-7 926	-7 035	-6 388	-4 913
Amortisation & depreciation	-1 016	-998	-1 112	-17 905	-855	-892	-915	-924
EBIT	-7 301	-9 230	-15 549	-27 896	-8 780	-7 926	-7 303	-5 837
Financials, net	-5	0	1	3	-6	-6	-6	-6
EBT	-7 306	-9 230	-15 548	-27 893	-8 786	-7 932	-7 309	-5 843
Taxes	0	0	0	0	0	0	0	0
Net profit	-7 306	-9 230	-15 548	-27 893	-8 786	-7 932	-7 309	-5 843
Earnings per share (SEK)	-0,09	-0,12	-0,20	-0,36	-0,10	-0,08	-0,08	-0,06
Y-o-Y Growth (%)								
Net revenues	-34,5%	87,6%	-30,1%	-0,2%	0,9%	83,6%	360,2%	190,1%
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	51,1%	49,2%	62,0%	50,7%	55,9%	41,8%	33,3%	27,5%
Total OPEX	93,9%	127,5%	240,7%	121,5%	113,3%	82,6%	64,5%	53,1%
Profitability (%)								
ROE	neg	neg	neg	neg	neg	neg	neg	neg
ROIC	neg	neg	neg	neg	178,2%	neg	0,0%	0,0%

Source: Västra Hamnen Corporate Finance

Balance Sheet - Quarterly Data

kSEK	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e
Inventories	17 667	20 176	20 013	16 363	4 199	6 607	10 029	13 618
Short term receivables	8 137	9 434	11 375	12 186	6 605	10 587	15 780	21 511
Cash and cash equivalents	45 651	35 138	22 465	10 723	25 743	41 939	30 509	16 259
Total current assets	71 455	64 748	53 853	39 272	36 546	59 133	56 318	51 388
Tangible assets	1 648	1 558	1 421	1 298	1 333	1 366	1 398	1 428
Intangible assets	14 459	16 757	17 917	15 793	16 503	16 928	17 082	17 228
Total fixed assets	16 107	18 315	19 338	17 091	17 836	18 295	18 480	18 656
Total assets	87 562	83 063	73 191	56 363	54 383	77 428	74 797	70 044
Accounts payable	0	0	0	0	13 021	13 412	15 283	15 719
Short term liabilities	17 571	22 309	27 960	38 906	19 531	20 118	22 925	23 578
Total current liabilities	17 571	22 309	27 960	38 906	32 552	33 529	38 208	39 297
Long term liabilities	9 415	9 412	9 415	9 424	9 424	9 424	9 424	9 424
Other provisions	0	0	0	0	0	0	0	0
Total equity	60 576	51 343	35 816	8 033	12 407	34 474	27 166	21 323
Total equity and liabilities	87 562	83 064	73 191	56 363	54 383	77 428	74 797	70 044

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e
Operating activities	-6 268	-8 239	-14 412	-9 988	-7 932	-7 041	-6 394	-4 919
Changes in working capital	-1 180	932	3 873	2 132	11 391	-5 413	-3 937	-8 231
Investing activities	-2 359	-3 206	-2 134	-3 967	-1 600	-1 350	-1 100	-1 100
Financing activities	0	0	0	0	13 160	30 000	0	0
Cash flow for the period	-9 807	-10 513	-12 673	-11 823	15 020	16 197	-11 431	-14 250
Beginning cash balance	55 458	45 651	35 138	22 465	10 723	25 743	41 939	30 509
Ending cash balance	45 651	35 138	22 465	10 723	25 743	41 939	30 509	16 259

Source: Västra Hamnen Corporate Finance

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