

Update: Report Q1 2022

2022-04-27

Heliospectra: In transition

- Disappointing turnover and order intake in Q1
- Strategic reorientation should pay off eventually
- We lower our fair value interval to SEK 2.80 – 4.40 (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): 1,63
Market cap (MSEK): 139,9
Enterprise Value (MSEK): 149,4
Total number of shares (M): 85,86
- of which free float (M): 24,64

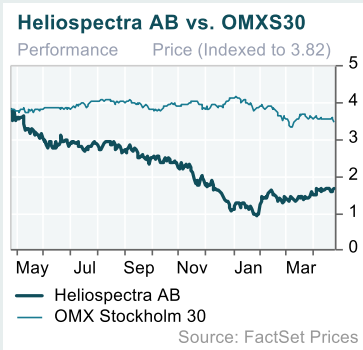
VHCF fair value per share
DCF model SEK 2.80 - 4.40

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

Main owners (31 Mar 2022)

	Capital (%)
Weland Värdepapper AB	22,5
Weland Stål AB	18,6
Agartha AB	15,5
Corespring New Technology AB	11,5
Avanza Pension	3,1

Stock price history



	-1m	-3m	-12m
Change (%)	18,0	70,2	-56,2
52 w k range (Low /Hi) - SEK		0,85 / 4,09	

Source: FactSet

Heliospectra's report for Q1 2022 was a disappointment in terms of turnover and order intake. This may have been inevitable, as the company finds itself in the middle of a reorientation of strategy under the company's new CEO, Bonny Heeren. New starts often take time to produce results. This, together with the economic challenges facing customers in greenhouse farming due to high energy costs, has persuaded us to lower our revenue forecast for Heliospectra, especially for the near term. Our revised valuation model points to a fair value interval of SEK 2.80 – 4.40 per share, down from SEK 3.60 – 5.60 per share.

The quarterly report showed a net turnover of SEK 5.6 million for Q1, down from SEK 10.0 million in the same period last year and more than SEK two million below the average quarter last year. What is more, the order intake came in at a disappointing SEK 2.0 million in the quarter. This was the second-lowest print seen in at least six years and is an indication that turnover is not about to accelerate in the near term. Operating profit as well as net profit came in at SEK -7.8 million. Cash reserves at the end of the quarter stood at SEK 10.7 million, which was virtually unchanged from the beginning of the quarter thanks to a new equity issue of SEK 16.9 million. The free cash flow in the period was SEK -17.0 million.

Operationally, it is clear that the new CEO is executing a thorough spring cleaning at the company. Heliospectra took major write-downs both on components and on intellectual property already in Q4 2021 and the process of sorting which development projects to keep and which to discard appears to be completed. In his CEO comment, Heeren pointed out the strategic priorities for the time ahead.

Table 1: Financial Overview

MSEK	2020	2021	2022e	2023e	2024e
Total revenues	42,5	48,0	38,5	112,1	238,3
Growth (%)	58,5%	12,9%	-19,8%	191,1%	112,6%
EBITDA	-36,1	-38,9	-32,6	-14,3	11,4
EBITDA margin (%)	neg	neg	neg	neg	4,8%
EBT	-40,2	-60,0	-36,5	-18,4	7,3
Cash holdings	55,5	10,7	22,7	-0,3	23,0
Total assets	98,5	56,4	71,0	66,7	120,8
Total equity	67,9	8,0	38,5	20,1	27,4
Solidity (%)	68,9%	14,3%	54,2%	30,1%	22,7%
P/E	neg	neg	neg	neg	19,1
ROE	neg	neg	neg	neg	36,5%
EV/EBIT (x)	neg	neg	neg	neg	20,3
EV/Sales (x)	3,5	3,1	3,9	1,3	0,6

Source: Västra Hamnen Corporate Finance

New products and services underway

Principally, the focus is on completing a new version of the HelioCORE control system, a new application fixture to the MITRA family and launching Adelphi, a new wireless connection. In addition, the company has recreated the HelioCARE service, a team of lighting experts that help customers select the best equipment and service for their crop.

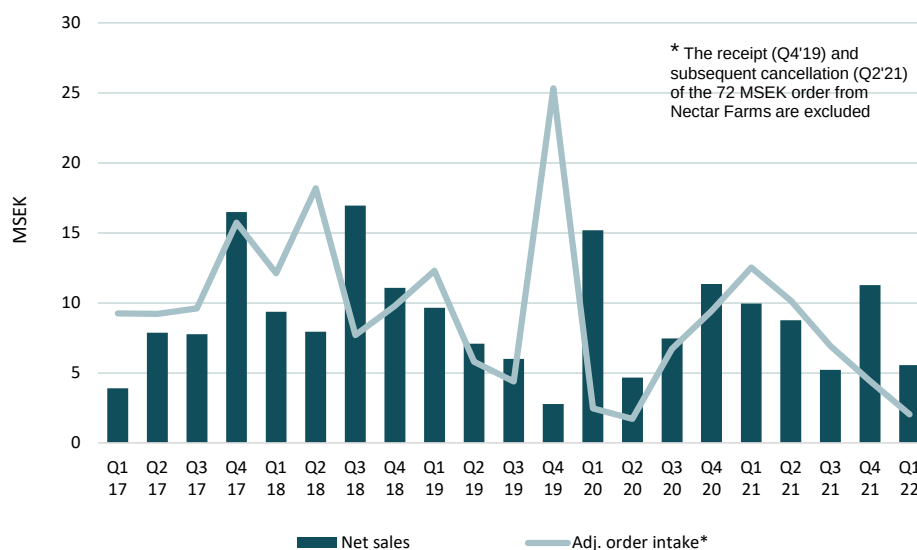
Adelphi enables powerful new features

The Adelphi enables powerful features such as the integration of fixed-spectrum light fixtures with HelioCORE and light sensors, enabling detailed control of every individual light fixture in a greenhouse. This will facilitate a further improvement in one of Heliospectra's unique value propositions: measuring the amount of natural light hitting the plants and adding just the top-up amount of artificial light that maximises crop performance. When this sensor-controlled light adjustment comes down to the level of the individual light fixture, the potential energy saving becomes substantial.

Energy savings is key USP

We think the potential energy saving is the selling point that eventually should bring about a breakthrough for Heliospectra, particularly among greenhouse food growers. The current high energy costs are pressuring the sector and we would assume all potential avenues to energy savings are being considered right now. The current cost pressure clearly puts a damper on the eagerness to investment right now, cf. Figure 1 below, but prospects may improve if and when the situation starts to normalise.

Figure 1: Net sales and adjusted order intake*



Source: Heliospectra, Västra Hamnen Corporate Finance

Funding secured for 2022

Together with the Q1 report last Friday, came news about the funding of the company. Heliospectra's three main owners have decided to extend a credit facility to the company in order to secure proper funding for the next year or so. The credit facility is without limit in terms of amount, but all debt under the facility must be repaid by the time the company issues its full year report for 2022, i.e. around February 2023. This is helpful in the short run, but in our opinion does not remove the necessity of a new equity issue, as we get back to below.

Lower revenue but higher gross margin than expected

Table 2 below depicts a comparison between our forecast and the actual numbers for Q1. High energy prices and supply-chain disruptions have negatively impacted the level of investments in lighting systems within the horticulture industry. This contributed to Heliospectra's revenue coming in SEK 4.5 million lower than anticipated. COGS in turn was SEK 3.8 million lower than our forecast for two reasons: lower revenue and a higher gross margin.

Table 2: Estimates vs actual, Q1 2022

kSEK	Q1 '21	Q1 '22e	Q1 '22 act	Diff
Net Revenues	9 960	10 045	5 562	-4 483
Capitalised development costs	2 262	1 500	3 197	1 697
Other Revenues	153	0	2	2
Total Revenues	12 375	11 545	8 761	-2 784
Cost of Goods Sold	-7 044	-6 385	-2 614	3 771
Gross margin	29,3%	36,4%	53,0%	16,6%
Personnel Expenses	-6 322	-6 451	-4 230	2 221
Other Operating Expenses	-5 294	-6 635	-8 747	-2 112
Total OPEX	-11 616	-13 086	-12 977	109
EBITDA	-6 285	-7 926	-6 830	1 096
Amortisation and Depreciation	-1 016	-855	-967	-112
EBIT	-7 301	-8 780	-7 797	983
Net Financial Items	-5	-6	0	6
EBT	-7 306	-8 786	-7 797	989
Net Profit	-7 306	-8 786	-7 797	989
Cash and Equivalents	45 651	25 743	10 657	-15 086
Total Equity	60 576	12 407	17 197	4 790

Source: Västra Hamnen Corporate Finance

Net profit higher than forecast

Total OPEX came in as expected, even though the allocation of it between personnel expenses and other operating expenses showed a discrepancy. In the end, net profits came in almost SEK 1 million higher than expected due to larger capitalized development costs and higher margins. The discrepancy in cash holdings pertains to differences within working capital, while the difference in equity stems from slight differences in forecasting the amount raised in the directed share issue earlier this year to the company's three main shareholders.

2022 a transitional year

In general, we think this report cements the notion that 2022 should be considered a transitional year where the foundations for a strategic shift are put in place. While the strategic shift towards becoming a system supplier within Smart Farming seems reasonable in the long-term, short-term expectations need to be lowered.

We make a number of changes to our model

The low order intake coupled with high energy prices and supply chain disruptions means that we decrease our revenue forecast for the coming quarters substantially. This means our long-term view looks a tad optimistic, hence we have shaved slightly off our long-term revenue forecast. This ensures a greater congruence with the short-term modifications. We have also made slight adjustments to the gross margin, with our long-term forecast converging around 35 percent. As a result of our lowered forecasted growth rate, OPEX in the shape of personnel expenses have been decreased as less staff will be needed.

We forecast a capital injection to occur sometime this year

These changes to our forecast model entail lower cash flows than previously. Although Heliospectra's new credit facility ensures the company will have sufficient cash for the duration of the facility, the current equity will be depleted during 2022 according to our forecast. This implies that the company will have to raise new equity sometime this year, and in our valuation model we have penciled in a capital injection of SEK 50 million

in Q3 2022. However, we stress that the amount raised and exact timing during 2022 is uncertain and this solely represents our best forecast.

We decrease our valuation interval to SEK 2.80 - 4.40 per share

The sum of these forecast changes entail that our DCF-model indicates a lower enterprise value for the company than previously. Table 3 below summarizes our DCF calculations. We therefore lower our valuation interval for Heliospectra to SEK 2.80 – 4.40 per share from the previous interval of SEK 3.60 – 5.60 per share.

Table 3: DCF model assumptions

MSEK	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e
Total revenues	35,2	32,1	108,1	234,3	334,0	408,7	470,8	529,6
EBIT	-60,0	-36,5	-18,3	7,4	31,7	52,0	69,2	85,8
EBIT margin	-170,3%	-113,9%	-17,0%	3,1%	9,5%	12,7%	14,7%	16,2%
Adj. Taxes	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
NOPLAT (= EBIT - tax)	-60,0	-36,5	-18,3	7,4	31,7	52,0	69,2	85,8
Depreciation	21,0	3,9	4,0	4,1	4,1	4,2	4,2	4,3
Capex + Working cap	-5,9	-22,4	-8,7	11,9	10,1	3,6	1,5	0,7
Net cash flow	-44,9	-55,0	-23,0	23,3	45,9	59,8	74,9	90,9

DCF (MSEK)		
WACC	16,0%	16,0%
Enterprise value (EV)	477,0	477,0
Prob of profitability	50%	80%
Risk adjusted EV	238,5	381,6
Warrants	-2,2	-2,2
Net cash (= cash - debt)	1,2	1,2
Fair value market cap	237,5	380,6
Diluted no of shares (M)	85,86	85,86
Fair value/share (SEK)	2,80	4,40

Sensitivity analysis (value per share, SEK)

		Prob of profitability			
		50%	60%	70%	80%
WACC	20%	1,90	2,30	2,70	3,10
	18%	2,30	2,70	3,20	3,70
	16%	2,80	3,30	3,90	4,40
	14%	3,40	4,10	4,80	5,50
	12%	4,40	5,30	6,20	7,00

Source: Västra Hamnen Corporate Finance

Income Statement - Annual Data

kSEK	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e
Net revenues	38 634	35 221	32 060	108 082	234 317	334 041	408 736	470 773
Capitalised development cost:	2 482	11 609	6 447	4 000	4 000	4 000	4 000	4 000
Other revenues	1 422	1 191	2	0	0	0	0	0
Total revenues	42 538	48 021	38 509	112 082	238 317	338 041	412 736	474 773
Cost of goods sold	-25 093	-22 360	-19 207	-67 537	-152 573	-218 787	-267 205	-307 331
Personnel costs	-28 849	-25 061	-23 828	-29 823	-38 204	-43 178	-46 396	-48 921
Other external costs	-22 932	-34 902	-28 187	-29 051	-36 091	-40 270	-42 972	-45 094
Other operating expenses	-1 767	-4 643	116	0	0	0	0	0
EBITDA	-36 103	-38 945	-32 597	-14 329	11 450	35 806	56 164	73 426
Amortisation & depreciation	-4 138	-21 031	-3 909	-4 016	-4 087	-4 145	-4 192	-4 231
EBIT	-40 241	-59 976	-36 506	-18 345	7 363	31 661	51 971	69 195
Financials, net	8	-1	-18	-24	-24	-24	-24	-24
EBT	-40 233	-59 977	-36 523	-18 368	7 339	31 637	51 948	69 172
Taxes	0	0	0	0	0	0	0	0
Net profit	-40 233	-59 977	-36 523	-18 368	7 339	31 637	51 948	69 172
Earnings per share (SEK)	-0,68	-0,78	-0,40	-0,19	0,08	0,33	0,54	0,72
Growth (%)								
Net revenues	58,5%	12,9%	-19,8%	191,1%	112,6%	41,8%	22,1%	15,0%
EBITDA	na	na	na	na	na	212,7%	56,9%	30,7%
EBIT	na	na	na	na	na	330,0%	64,1%	33,1%
Net profit	na	na	na	na	na	331,1%	64,2%	33,2%
% of revenues (%)								
EBITDA margin	neg	neg	neg	neg	4,8%	10,6%	13,6%	15,5%
EBIT margin	neg	neg	neg	neg	3,1%	9,4%	12,6%	14,6%
EBT margin	neg	neg	neg	neg	3,1%	9,4%	12,6%	14,6%
Profit margin	neg	neg	neg	neg	3,1%	9,4%	12,6%	14,6%
Personnel costs	74,7%	71,2%	74,3%	27,6%	16,3%	12,9%	11,4%	10,4%
Total OPEX	138,6%	183,4%	161,9%	54,5%	31,7%	25,0%	21,9%	20,0%
Profitability (%)								
ROE	neg	neg	neg	neg	36,5%	115,3%	87,9%	62,3%
ROIC	neg	neg	neg	neg	42,0%	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	17 603	21 483	30 552	39 244	46 547	52 913
Short term receivables	9 999	12 186	10 707	25 230	46 662	59 922	71 251	81 092
Cash and cash equivalents	55 458	10 723	22 723	-334	22 960	68 808	128 547	203 412
Total current assets	83 718	39 272	51 034	46 378	100 174	167 975	246 344	337 417
Tangible assets	1 819	1 298	1 298	1 428	1 534	1 621	1 691	1 748
Intangible assets	12 945	15 793	18 631	18 885	19 092	19 260	19 397	19 509
Total fixed assets	14 764	17 091	19 929	20 313	20 626	20 881	21 088	21 257
Total assets	98 482	56 363	70 962	66 691	120 800	188 856	267 433	358 674
Accounts payable	0	0	9 219	14 858	33 566	48 133	58 785	67 613
Short term liabilities	21 207	38 906	13 829	22 287	50 349	72 200	88 178	101 419
Total current liabilities	21 207	38 906	23 048	37 145	83 915	120 333	146 963	169 032
Long term liabilities	9 384	9 424	9 445	9 445	9 445	9 445	9 445	9 445
Other provisions	0	0	0	0	0	0	0	0
Total equity	67 891	8 033	38 471	20 102	27 441	59 078	111 026	180 198
Total equity and liabilities	98 482	56 363	70 963	66 692	120 801	188 857	267 434	358 675

Source: Västra Hamnen Corporate Finance

Cash flow statement

kSEK	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e
Operating activities	-36 522	-38 906	-32 614	-14 352	11 426	35 782	56 140	73 403
Changes in working capital	-8 082	17 410	-15 619	-4 305	16 269	14 466	7 998	5 862
Investing activities	-2 230	-11 806	-6 747	-4 400	-4 400	-4 400	-4 400	-4 400
Financing activities	50 785	0	66 915	0	0	0	0	0
Cash flow for the period	1 215	-44 816	12 000	-23 058	23 295	45 848	59 738	74 865
Beginning cash balance	54 243	55 458	10 642	22 642	-415	22 879	68 727	128 466
Ending cash balance	55 458	10 642	22 642	-415	22 879	68 727	128 466	203 331

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	5 562	5 886	8 399	12 213
Capitalised development cost:	2 262	3 245	2 136	3 966	3 197	1 250	1 000	1 000
Other revenues	153	13	161	864	2	0	0	0
Total revenues	12 375	12 026	7 512	16 108	8 761	7 136	9 399	13 213
Cost of goods sold	-7 044	-4 926	-3 868	-6 522	-2 614	-3 617	-5 326	-7 649
Personnel costs	-6 322	-5 916	-4 655	-8 168	-4 230	-6 376	-6 529	-6 693
Other external costs	-5 925	-9 002	-13 555	-6 420	-8 863	-6 415	-6 353	-6 556
Other operating expenses	631	-414	129	-4 989	116	0	0	0
EBITDA	-6 285	-8 232	-14 437	-9 991	-6 830	-9 272	-8 809	-7 685
Amortisation & depreciation	-1 016	-998	-1 112	-17 905	-967	-966	-985	-991
EBIT	-7 301	-9 230	-15 549	-27 896	-7 797	-10 238	-9 794	-8 676
Financials, net	-5	0	1	3	0	-6	-6	-6
EBT	-7 306	-9 230	-15 548	-27 893	-7 797	-10 244	-9 800	-8 682
Taxes	0	0	0	0	0	0	0	0
Net profit	-7 306	-9 230	-15 548	-27 893	-7 797	-10 244	-9 800	-8 682
Earnings per share (SEK)	-0,09	-0,12	-0,20	-0,36	-0,09	-0,12	-0,10	-0,09
Y-o-Y Growth (%)								
Net revenues	-34,5%	87,6%	-30,1%	-0,2%	-44,2%	-32,9%	61,1%	8,3%
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%	48,3%	89,4%	69,5%	50,7%
Total OPEX	93,9%	127,5%	240,7%	121,5%	148,1%	179,2%	137,1%	100,3%
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 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e
Inventories	17 667	20 176	20 013	16 363	16 051	15 857	16 343	17 603
Short term receivables	8 137	9 434	11 375	12 186	9 508	9 675	11 046	10 707
Cash and cash equivalents	45 651	35 138	22 465	10 723	10 657	-2 247	34 700	22 723
Total current assets	71 455	64 748	53 853	39 272	36 216	23 286	62 088	51 034
Tangible assets	1 648	1 558	1 421	1 298	1 181	1 222	1 261	1 298
Intangible assets	14 459	16 757	17 917	15 793	18 140	18 483	18 559	18 631
Total fixed assets	16 107	18 315	19 338	17 091	19 321	19 705	19 820	19 929
Total assets	87 562	83 063	73 191	56 363	55 537	42 991	81 908	70 962
Accounts payable	0	0	0	0	0	10 638	10 125	9 219
Short term liabilities	17 571	22 309	27 960	38 906	28 896	15 957	15 187	13 829
Total current liabilities	17 571	22 309	27 960	38 906	28 896	26 594	25 311	23 048
Long term liabilities	9 415	9 412	9 415	9 424	9 445	9 445	9 445	9 445
Other provisions	0	0	0	0	0	0	0	0
Total equity	60 576	51 343	35 816	8 033	17 197	6 953	47 153	38 471
Total equity and liabilities	87 562	83 064	73 191	56 363	55 538	42 992	81 909	70 963

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	-6 830	-9 278	-8 815	-7 691
Changes in working capital	-1 180	932	3 873	2 132	-7 020	-2 275	-3 139	-3 185
Investing activities	-2 359	-3 206	-2 134	-3 967	-3 197	-1 350	-1 100	-1 100
Financing activities	0	0	0	0	16 915	0	50 000	0
Cash flow for the period	-9 807	-10 513	-12 673	-11 823	-66	-12 904	36 946	-11 976
Beginning cash balance	55 458	45 651	35 138	22 465	10 723	10 657	-2 247	34 700
Ending cash balance	45 651	35 138	22 465	10 723	10 657	-2 247	34 700	22 723

Source: Västra Hamnen Corporate Finance

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