

# Thin Film Electronics

Q121 results

Happy first anniversary of microbattery strategy

**Q121 marks the first anniversary of Thin Film Electronics' (Thinfilm) strategic pivot to commercialising its proprietary ultra-thin solid-state microbattery product for applications such as hearing aids, earbuds and wearable medical devices. The company looks on track to deliver initial product revenues in late 2021.**

Year end	Revenue (\$m)	EBITDA (\$m)	PBT* (\$m)	EPS* (\$)	DPS (\$)	P/E (x)
12/17**	5.9	(50.9)	(54.5)	(0.06)	0.00	N/A
12/18**	3.4	(49.3)	(54.3)	(0.93)	0.00	N/A
12/19**	1.2	(30.6)	(35.9)	(0.61)	0.00	N/A
12/20	0.5**	(11.4)	(15.3)	(0.04)	0.00	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. \*\*Discontinued business.

## Potential cash runway into Q122

Thinfilm generated \$0.5m revenues during Q120 from sales of legacy stock of anti-theft tags and no revenues in Q121. Payroll costs were \$0.7m higher year-on-year in Q121 as management invested in engineering, manufacturing and business development personnel. EBITDA losses, excluding share-based payments, widened by \$1.2m to \$3.2m. Following a fund-raising programme generating \$8.2m (net) from a private placing and exercise of warrants, cash (excluding restricted cash) totalled \$7.6m. Management estimates that this cash, together with that generated from warrants that holders have already asked to exercise, is sufficient to fund the company well into Q321. Additional financing from warrants yet to be exercised potentially extends the cash runway into Q122. Management has stated that it intends to seek additional financing, including institutional investment in Europe and the US, to fund the company's activities further into 2022.

## On track for first microbattery sales by end FY21

As discussed in our March [update note](#), Thinfilm formally completed its first product design in January and has manufactured its first prototype cells. It is continuing with its programme to transfer process technology from a sheet-based production line to the much higher-volume roll-to-roll line ahead of volume ramp-up by end FY21. Regarding the commercial agreement discussions with five OEMs in the hearables and wearable electronics markets referred to in April, one (a Fortune Global 500 company active in the wearables market) has moved to a commercial agreement under which Thinfilm will supply microbatteries for evaluation in H221; discussions with the others are ongoing.

## Valuation: Potential market of over 1bn units a year

Thinfilm is initially targeting the medical wearables and hearables markets, followed by the connected sensor and sport and fitness wearables markets. Our scenario [analysis](#) calculates that a 5–10% share of these markets represents annual revenues of \$330–550m and EBITDA of \$211–365m. However, we note that the company is at the early stage of its development, with execution delivery and funding availability key to its success.

### Tech hardware & equipment

1 June 2021

**Price** **NOK0.805**
**Market cap** **NOK941m**

US\$0.12/NOK

Net debt (\$m) at end March 2021 5.4  
(excluding \$1.6m restricted cash, \$0.2m paid for unissued shares and \$11.9m financial lease liabilities)

Shares in issue 1,168.8m

Free float 78.7%

Code THIN

Primary exchange OSLO

Secondary exchange OTCQB

### Share price performance



% 1m 3m 12m

Abs (1.0) (12.9) 21.3

Rel (local) (2.2) (19.1) (6.0)

52-week high/low NOK1.22 NOK0.25

### Business description

Thin Film Electronics' solid-state lithium battery technology combines advanced energy cell design with proprietary materials and manufacturing innovation to produce thin, flexible batteries that can power safer and more capable wearable devices and connected sensors.

### Next events

AGM 3 June 2021

H121 results 27 August 2021

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**Exhibit 1: Financial summary**

	US\$m	2017	2018	2019	2020
Year-end 31 December		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
Revenue		5.9	3.4	1.2	0.5
EBITDA		(50.9)	(49.3)	(30.6)	(11.4)
Operating Profit (before amort. and except.)		(54.8)	(53.3)	(34.5)	(11.4)
Intangible Amortisation		0.0	0.0	0.0	0.0
Exceptionals		(3.0)	(15.6)	(42.4)	0.0
Share-based payments		(2.2)	(1.8)	(0.2)	(0.6)
Operating Profit		(60.1)	(70.6)	(77.1)	(12.0)
Net Interest		0.4	(1.1)	(1.4)	(3.9)
Profit Before Tax (norm)		(54.5)	(54.3)	(35.9)	(15.3)
Profit Before Tax (FRS 3)		(59.7)	(71.7)	(78.5)	(39.1)
Tax		0.1	(0.0)	0.0	0.0
Profit After Tax (norm)		(54.3)	(54.4)	(35.9)	(15.3)
Profit After Tax (FRS 3)		(59.6)	(71.7)	(78.4)	(39.1)
Average Number of Shares Outstanding (m)		862.7	58.6	58.6	393.2
EPS - normalised (\$)		(0.06)	(0.93)	(0.61)	(0.04)
EPS - (IFRS) (\$)		(0.07)	(1.22)	(1.34)	(0.10)
Dividend per share (\$)		0.00	0.00	0.00	0.00
EBITDA Margin (%)		N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A
<b>BALANCE SHEET</b>					
Fixed Assets		34.2	35.3	0.6	0.8
Intangible Assets		2.2	2.4	0.0	0.0
Tangible Assets		20.5	22.5	0.0	0.2
Other		11.5	10.4	0.6	0.6
Current Assets		115.1	44.1	11.7	6.9
Stocks		0.7	2.6	0.0	0.0
Debtors		16.2	8.9	2.8	1.1
Cash including restricted cash		98.1	32.6	8.9	5.8
Other		0.0	0.0	0.0	0.0
Current Liabilities		(7.3)	(8.1)	(6.8)	(32.7)
Creditors		(7.3)	(8.1)	(5.5)	(29.5)
Short term borrowings		0.0	0.0	(1.4)	(3.2)
Long Term Liabilities		(12.1)	(11.5)	(25.1)	(21.9)
Long term borrowings excluding finance leases		0.0	0.0	(11.8)	(9.7)
Other long-term liabilities		(12.1)	(11.5)	(13.2)	(12.2)
Net Assets		129.9	59.7	(19.7)	(46.9)
<b>CASH FLOW</b>					
Operating Cash Flow		(52.3)	(52.3)	(29.1)	(11.9)
Net Interest		0.3	0.3	(1.4)	(3.2)
Tax		(0.0)	(0.1)	0.0	0.0
Capex		(27.1)	(11.2)	(5.1)	(0.3)
Acquisitions/disposals		0.0	0.0	0.0	0.0
Financing		103.3	(0.0)	0.0	13.3
Dividend payments and Other items		0.2	(1.6)	0.0	0.0
Net Cash Flow		24.4	(64.9)	(35.5)	(2.1)
Opening net debt/(cash) excluding finance leases		(74.2)	(98.1)	(32.6)	4.3
Finance leases initiated		0.0	0.0	0.0	0.0
Other		(0.5)	(0.6)	(1.4)	(0.7)
Closing net debt/(cash) excluding finance leases		(98.1)	(32.6)	4.3	7.2

Source: Company accounts

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