

# Thin Film Electronics

Share offer

NOK140m vote of confidence

The NOK140m (\$23m) planned investment by Invesco is a strong vote of confidence in Thinfilm. It provides the funding required for planned capital expenditures over the next year, and the potential exercise of the NOK140m of warrants would provide sufficient funding for remaining development plans. This level of investment by a blue-chip investor should give current and potential shareholders confidence in the strength of the business model.

Year end	Revenue (NOKm)	PBT* (NOKm)	EPS* (NOK)	DPS (NOK)	P/E (x)	Yield (%)
12/11	1.8	(35.7)	(0.13)	0.0	N/A	N/A
12/12	3.8	(42.0)	(0.13)	0.0	N/A	N/A
12/13e	13.0	(50.6)	(0.14)	0.0	N/A	N/A
12/14e	49.7	(43.3)	(0.12)	0.0	N/A	N/A
12/15e	253.1	1.0	0.00	0.0	1,040	N/A
12/16e	1,618.1	648.5	1.53	0.0	2.0	N/A

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

## Investment would take Invesco shareholding to 13.3%

Thinfilm is planning to issue 56m shares at NOK2.50 and 46.7m warrants with an exercise price of NOK3.00 to Invesco. An EGM will be held on or around 2 October for existing shareholders to vote on the agreement. The warrants can be exercised 12 months after approval at the EGM with a three-year exercise period. It would be Invesco's first investment in Thinfilm and would take its shareholding to 13.3% for the cash investment and 22% if the warrants are exercised. In our view, the offer is likely to be accepted by shareholders given that funding is required by the end of FY13.

## Funding production expansion

The cash will provide the funding for the expansion and construction of additional production facilities, which should bring annual production capacity up to 500m tags per year. The investment significantly strengthens the balance sheet and in our view is a vote of confidence in the company's business model.

## Valuation: Materially unchanged

Assuming the investment is approved by shareholders, EBIT estimates would remain unchanged, but EPS will be reduced as a result of the higher share count. For FY13-15, this would widen the EPS loss, and for FY16 it potentially reduces our EPS estimate by 13% excluding the dilution from the warrants, and by 18% including dilution. However, in our base-case DCF valuation we had assumed a higher level of financing at a higher share count, so when updated to reflect the Invesco proposal, the base-case valuation potentially increases from NOK18.5 to NOK19.1/share and the slower-adoption scenario valuation increases from NOK6.9 to NOK7.4/share.

Tech hardware &amp; equipment

9 September 2013

**Price** **NOK3.12**
**Market cap** **NOK1,142m**

NOK6.09/US\$

Net debt/cash (NOKm) 31.6

Shares in issue 366.1m

Free float 99%

Code THIN

Primary exchange Oslo

Secondary exchange N/A

### Share price performance



%	1m	3m	12m
Abs	20.0	14.3	64.2
Rel (local)	18.4	9.7	52.5

52-week high/low NOK3.12 NOK1.70

### Business description

Thin Film Electronics (Thinfilm) owns key patents for the printing of rewritable, non-volatile memory and licenses technology from others to develop complete printed systems.

### Next events

EGM 2 October 2013

### Analysts

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**Exhibit 1: Financial summary**

	NOK'000s	2009	2010	2011	2012	2013e	2014e	2015e	2016e
Year end December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>									
Revenue		4,457	63	1,763	3,774	12,955	49,662	253,078	1,618,075
EBITDA		(18,615)	(20,833)	(35,241)	(41,849)	(49,680)	(36,138)	29,835	694,839
Operating Profit (before amort. and except.)		(18,726)	(20,904)	(35,554)	(42,356)	(51,165)	(39,069)	12,154	656,508
Intangible Amortisation		0	0	0	0	0	0	0	0
Exceptionals		3,512	0	0	0	0	0	0	0
Share-based payments		(1,183)	(3,783)	(3,012)	(4,369)	(5,540)	(5,680)	(5,680)	(5,680)
Operating Profit		(16,397)	(24,687)	(38,566)	(46,725)	(56,705)	(44,749)	6,474	650,828
Net Interest		439	(207)	(125)	320	608	(4,281)	(11,106)	(8,049)
Profit Before Tax (norm)		(18,287)	(21,111)	(35,679)	(42,036)	(50,557)	(43,350)	1,048	648,459
Profit Before Tax (FRS 3)		(15,958)	(24,894)	(38,691)	(46,405)	(56,097)	(49,030)	(4,632)	642,779
Tax		0	0	0	0	0	0	0	(79,746)
Profit After Tax (norm)		(18,287)	(21,111)	(35,679)	(42,036)	(50,557)	(43,350)	1,048	568,714
Profit After Tax (FRS 3)		(15,958)	(24,894)	(38,691)	(46,405)	(56,097)	(49,030)	(4,632)	563,034
Average Number of Shares Outstanding (m)		90.6	206.6	284.6	330.1	359.9	366.0	366.0	366.0
EPS - normalised (ORE)		(0.2)	(0.1)	(12.5)	(12.7)	(14.0)	(11.8)	0.3	155.4
EPS - normalised and fully diluted (ORE)		(0.2)	(0.1)	(12.5)	(12.7)	(14.0)	(11.8)	0.3	152.8
EPS - (IFRS) (ORE)		(17.6)	(12.0)	(13.6)	(14.1)	(15.6)	(13.4)	(1.3)	153.8
Dividend per share (NOK)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA Margin (%)		N/A	N/A	N/A	N/A	N/A	N/A	11.8	42.9
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A	N/A	4.8	40.6
<b>BALANCE SHEET</b>									
Fixed Assets		168	759	1,338	2,732	14,164	129,233	170,552	191,221
Intangible Assets		0	0	0	0	0	0	0	0
Tangible Assets		168	759	1,338	2,732	14,164	129,233	170,552	191,221
Investments		0	0	0	0	0	0	0	0
Current Assets		10,018	19,883	10,366	37,249	6,010	21,918	122,390	564,682
Stocks		0	0	0	0	354	11,210	70,800	189,169
Debtors		174	1,829	3,027	4,399	5,155	10,208	51,109	320,506
Cash		9,844	18,054	7,339	32,850	500	500	481	55,008
Other		0	0	0	0	0	0	0	0
Current Liabilities		(4,037)	(5,323)	(7,372)	(9,831)	(12,867)	(16,754)	(56,497)	(222,849)
Creditors		(4,037)	(5,323)	(7,372)	(9,831)	(12,867)	(16,754)	(56,497)	(222,849)
Short term borrowings		0	0	0	0	0	0	0	0
Long Term Liabilities		0	0	0	0	(664)	(171,104)	(272,104)	0
Long term borrowings		0	0	0	0	(664)	(171,104)	(272,104)	0
Other long term liabilities		0	0	0	0	0	0	0	0
Net Assets		6,149	15,319	4,332	30,150	6,643	(36,707)	(35,659)	533,054
<b>CASH FLOW</b>									
Operating Cash Flow		(19,598)	(21,202)	(34,390)	(40,762)	(47,755)	(48,159)	(30,912)	473,425
Net Interest		64	12	(42)	469	404	(4,281)	(11,106)	(8,049)
Tax		0	0	0	0	0	0	0	(79,746)
Capex		0	(650)	(879)	(1,924)	(9,253)	(118,000)	(59,000)	(59,000)
Acquisitions/disposals		3,905	0	0	0	0	0	0	0
Financing		16,184	30,051	24,597	67,727	23,590	0	0	0
Dividends		0	0	0	0	0	0	0	0
Net Cash Flow		555	8,211	(10,714)	25,510	(33,014)	(170,440)	(101,019)	326,630
Opening net debt/(cash)		(9,290)	(9,844)	(18,054)	(7,339)	(32,850)	164	170,604	271,623
HP finance leases initiated		0	0	0	0	0	0	0	0
Other		0	0	(1)	1	0	0	0	0
Closing net debt/(cash)		(9,845)	(18,055)	(7,339)	(32,850)	164	170,604	271,623	(55,008)

Source: Thin Film electronics, Edison Investment Research

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