

Thin Film Electronics

Company news

Lease completed on new ex-Qualcomm plant

Thinfilm (THIN) has announced that it has completed on the lease of its new US plant, a former Qualcomm facility located in San Jose, which covers 93,000 square foot, with a 22,000+ square foot clean room in a 5.4 acre site. The company has announced that it will install a roll-based production line that will add front-end production capacity of five billion NFC OpenSense (OS) and NFC SpeedTap (ST) tags per year - equivalent to up to \$680m in annual revenue, according to management.

Year end	Revenue (\$m)	PBT* (\$m)	EPS* (c)	DPS (c)	EV/Sales (x)	EV/EBITDA (x)	Yield (%)
12/14	4.5	(24.2)	(4.9)	0.0	68.1	N/A	N/A
12/15	4.4	(28.3)	(5.3)	0.0	72.5	N/A	N/A
12/16e	6.0	(35.6)	(5.8)	0.0	54.5	N/A	N/A
12/17e	38.6	(33.7)	(4.9)	0.0	9.8	N/A	N/A
12/18e	196.2	15.2	2.2	0.0	1.9	17.1	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments

The announcement of 7 October heralds the news that the capacity of the new production line will be five times the initial estimate at the start of this year at a capex cost that is only around one-third higher ie \$30-32m. Our current forecasts (now under review), made before the announcement of these plans to increase capacity to 5bn units, assume that THIN will achieve demand for c 2.8bn OS and ST units by 2020, but will only expand production capacity to 2.4bn units using licensing deals to satisfy additional demand from that time on. We understand that the company intends to continue with its "asset light" strategy of using licensing partners to take over production in the longer term. Nevertheless, we foresee this substantial increase in planned capacity and the resulting economies of scale as enabling a lower price/higher volume strategy over the next two to three years, which should enable the quicker transition of pilot trials into volume orders. It should also give Thinfilm greater flexibility in choosing licensing partners.

We would also highlight that in the last month THIN has announced plans to expand its sales and business development operations in China, to leverage local demand. Further, it has taken a step into a prospective new vertical with a pilot trial by Sarine Technologies to use Thinfilm's NFC SpeedTap in the marketing of diamonds and other gemstones.

Tech hardware & equipment

10 October 2016

Price **NOK4.05**
Market cap **NOK2,756m**

Net cash (\$m) at end-Q216	36.8
Shares in issue	680.4m
Free float	84.9%
Code	THIN
Primary exchange	Oslo
Secondary exchange	OTCOX

Share price performance



Business description

Thin Film Electronics (Thinfilm) commercialises printed electronics and owns key patents for printing rewritable, non-volatile memory and printable NFC circuits. It also licenses technology from others to develop complete printed systems.

Analysts

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