

Thin Film Electronics

EAS orders flowing in again

Thinfilm (THIN) has announced two new orders for anti-shoplifting, electronic article surveillance (EAS) tags, which we understand to be in the quantity of millions of units, and which we therefore estimate to be worth more than \$100k. THIN stockpiled production in anticipation of a pick-up in orders in 2017, which leads us to expect that it should be able to fulfil all or a large part of the front-end production for these orders from existing stocks. THIN has also announced in recent days that it has reached a deal with private Swedish packaging company Beneli to add THIN's NFC solutions to Beneli's range of self-adhesive labels, which cover a wide range of verticals and are exported extensively into Europe.

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	81.9	N/A	N/A
12/15	4.4	(28.3)	(5.3)	0.0	86.5	N/A	N/A
12/16e	3.7	(40.3)	(5.9)	0.0	87.5	N/A	N/A
12/17e	10.8	(42.6)	(5.2)	0.0	35.1	N/A	N/A
12/18e	48.3	(30.1)	(3.7)	0.0	8.7	N/A	N/A

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

After the slowdown in sales of EAS tags to 0.5m in H216 following the completion of a 13m tag order in 2015 and H116, the resumption of order inflows for EAS tags from THIN's channel partner is good news. THIN currently has capacity of 30m EAS labels a year and produced 17m front-end printed integrated circuits in 2016, which are turned into labels by supply partners in Asia. Net of 2m unit sales in 2016, this indicates the stockpiling of c 15m units for application to 2017 sales.

THIN will launch R2R production of EAS tags from the end of this year, with annual capacity targeted to increase from 30m to 1.5bn units. As a result, investors will be hoping for a substantial pick-up in order inflows as the year progresses. Expected reductions in unit sales prices (from our current estimate of around 5-6c) reflecting the expected substantial fall in front-end production costs from the switch to R2R production, as well as the expected expansion in certification of THIN's EAS tags from shoes to clothing, including denim and women's apparel, should help boost end-customer demand during the year.

New EAS order, new partner

Tech hardware & equipment

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Price **NOK3.95**
Market cap **NOK3,226m**

Net cash (\$m) at end-Q216	36.8
Shares in issue	816.8m
Free float	84.9%
Code	THIN
Primary exchange	Oslo
Secondary exchange	OTCQX

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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