

Thin Film Electronics

Tapping the booming medical marijuana market

New market segment

Tech hardware & equipment

Thin Film Electronics (Thinfilm) has announced an agreement with California's leading medical marijuana supplier, Caliva, to incorporate Thinfilm NFC solutions into its packaging. Caliva sells a wide range of products including 21 different strains of cannabis with different potencies and cultivation practices, as well as a range of over 130 cannabis-containing foods and ancillary equipment. Caliva is looking to enhance the shopper experience and provide more consistency, transparency and accessibility towards the cannabis space, as well as boosting marketing via offers and events. In 2016, California became the fifth US state to legalise recreational use of marijuana. Public sales of cannabis from stores are expected to start in 2018, which should lead to a further substantial increase in Caliva's sales.

Year end	Revenue (\$m)	PBT* (\$m)	EPS* (c)	DPS (c)	EV/Sales (x)	EV/EBITDA (x)	Yield (%)
12/15	4.4	(28.3)	(5.3)	0.0	75.9	N/A	N/A
12/16	3.8	(43.0)	(6.6)	0.0	87.1	N/A	N/A
12/17e	10.8	(42.5)	(5.2)	0.0	30.9	N/A	N/A
12/18e	48.3	(29.9)	(3.7)	0.0	6.9	N/A	N/A

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

We see a very good fit between Thinfilm's NFC solutions and the marketing of nuanced, high-value, frequent repeat purchase products such as marijuana, particularly where the customer demographic is smart-phone savvy, as should be the case with Caliva's clientele.

Also, without doubt, Thinfilm is tapping into a very high-growth, high-potential market. Currently, 21% of the adult population in the US live in areas where it is legal to use marijuana, with numbers growing as more states legislate for its decriminalization. As a result, the cannabis market in North America grew 30% in 2016 to \$6.7bn and is expected to grow at 25% per annum to 2021, according to Arcview Market Research forecasts.

The first 'smart' Caliva products are expected to ship to California dispensaries in the third quarter of 2017.

12 June 2017

Price **NOK3.90**

Market cap **NOK3,194m**

USD/NOK8.5151

Net cash (\$m) at 31 March 2017 40.1

Shares in issue 818.9m

Free float 93.0%

Code THIN

Primary exchange Oslo

Secondary exchange OTCQX

Share price performance



Business description

Thin Film Electronics (Thinfilm) is a global leader in NFC marketing and smart-packaging solutions using printed electronics. It creates printed tags, labels, and systems that include memory, sensors, displays, and wireless communications at low cost points vs conventional electronics.

Analysts

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