

Leclanché

Interim results

Awaiting completion of financing activities

Leclanché's H120 results show strong growth in revenues for marine applications. Together with an order book of over CHF90m for delivery between 2020 and 2022, this demonstrates demand for the group's energy storage systems. However, management needs to secure financing to progress the transformational stationary energy storage project on St Kitts and expand its cell manufacturing capability to fully take advantage of opportunities in the e-Transport segment. Our estimates and valuation remain under review.

Year end	Revenue (CHFm)	EBITDA* (CHFm)	PBT* (CHFm)	EPS (CHF)	DPS (CHF)	P/E (x)
12/17	18.0	(31.1)	(37.8)	(0.68)	0.00	N/A
12/18	48.7	(36.9)	(47.8)	(0.62)	0.00	N/A
12/19	16.3	(57.5)	(71.5)	(0.53)	0.00	N/A

Note: *Adjusted for exceptional items, amortisation of acquired intangibles and share-based payments.

Progress hampered by lack of finance

Revenues rose by CHF3.5m year-on-year in H120 to CHF10.0m. e-Transport revenues jumped by CHF6.3m to CHF6.6m, boosted by delivery to Kongsberg Maritime of the energy storage system for the first of nine Grimaldi vessels. Revenues from the Stationary business unit fell by CHF1.7m to CHF1.3m because two projects potentially worth c CHF6m were postponed to H220. Speciality Battery revenues, which are primarily defence related, declined by CHF1.1m to CHF2.1m. Gross margin remains negative, reflecting low plant utilisation rates. EBITDA losses narrowed by CHF3.3m to CHF16.3m. Net debt (including convertible loans and finance leases) increased by CHF22.7m in H120 to CHF64.4m. Post-period end, Leclanché's majority shareholder FEFAM converted CHF50.9m of debt to equity and its associate Golden Partner converted CHF10.7m of fees to equity.

Awaiting completion of financing activities

While FEFAM has agreed to provide up to CHF34m in working capital bridge loan financing as an interim measure, management states that it needs to complete a fundraise with a major industrial investor interested in taking a significant stake in the group to be confident of remaining a going concern. In addition, Leclanché needs to secure c CHF120m to increase capacity to up to 2.4GWh/year to provide the volumes that its e-Transport customers will need long term. This financing may be realised by transferring the cell manufacturing plant to a customer-backed JV. Management is still securing finance for a separate holding company that will own the St Kitts solar farm and energy storage facility and operate these under a build-own-operate model. This follows a change in business model in Q120, which sacrificed c CHF50m orders for over CF5m EBITDA/year over a 20-year period.

Valuation: Awaiting progress on JV

Our valuation and estimates remain under review until there is greater clarity on financing and the formation of the potential JV.

Renewable energy

2 October 2020

Price **CHF0.56**
Market cap **CHF144m**

Net debt (CHFm) at end June 2020 (including CHF54.0m convertible debt and CHF4.1m IFRS16 lease liabilities)	64.4
Shares in issue (after conversion of debt-to-equity)	257.6m
Free float (after conversion of debt to equity)	20.6%
Code	LECN
Primary exchange	SIX
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(6.7)	(6.7)	(62.7)
Rel (local)	(7.1)	(8.0)	(63.7)
52-week high/low	CHF1.62	CHF0.50	

Business description

Leclanché is a fully vertically integrated energy storage solution provider. It delivers a wide range of energy storage solutions for homes, small offices, large industries and electricity grids, as well as hybridisation for mass transport systems such as bus fleets and ferries.

Next event

FY20 result June 2021

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Exhibit 1: Financial summary

	CHFm	2017	2018	2019
Year-end Dec				
PROFIT & LOSS				
Revenue		18.0	48.7	16.3
Cost of Sales		(15.7)	(45.7)	(31.8)
Gross Profit		2.3	3.0	(15.5)
EBITDA		(31.1)	(36.9)	(57.5)
Operating Profit (before amort. and except.)		(35.3)	(39.9)	(63.7)
Amortisation of acquired intangibles		0.0	0.0	0.0
Share-based payments		(0.7)	(0.8)	(0.8)
Exceptionals		(0.1)	(1.3)	(10.8)
Operating Profit		(36.1)	(42.1)	(75.3)
Net Interest		(2.5)	(8.0)	(7.2)
Share of profits from JVs and associates		0.0	0.0	(0.5)
Profit Before Tax (norm)		(37.8)	(47.8)	(71.5)
Profit Before Tax (FRS 3)		(38.5)	(50.0)	(83.1)
Tax		0.1	(0.7)	(0.3)
Profit After Tax (norm)		(37.7)	(48.6)	(71.8)
Profit After Tax (FRS 3)		(38.5)	(50.7)	(83.4)
Minority interest		0.0	0.0	0.0
Net income (norm)		(37.7)	(48.6)	(71.8)
Net income (FRS 3)		(38.5)	(50.7)	(83.4)
Average Number of Shares Outstanding (m)		55.3	79.0	136.4
EPS - normalised (CHFc)		(68.3)	(61.5)	(52.6)
EPS - normalised fully diluted (CHFc)		(68.3)	(61.5)	(52.6)
EPS - FRS 3 (CHFc)		(69.6)	(64.2)	(61.1)
Dividend per share (CHFc)		0.0	0.0	0.0
BALANCE SHEET				
Fixed Assets		16.6	25.1	32.7
Intangible Assets		4.5	5.6	5.0
Tangible Assets and Deferred tax assets		12.1	19.5	27.7
Current Assets		52.1	62.2	40.4
Stocks		12.7	19.9	19.8
Debtors		32.8	33.9	19.1
Cash		6.6	8.4	1.5
Current Liabilities		(35.7)	(20.2)	(51.0)
Creditors including tax, social security and provisions		(20.6)	(14.8)	(31.7)
Short term borrowings		(15.1)	(5.4)	(19.3)
Long Term Liabilities		(22.1)	(48.7)	(34.8)
Long term borrowings		(13.3)	(37.5)	(23.9)
Retirement benefit obligation		(8.5)	(10.8)	(10.5)
Other long-term liabilities		(0.4)	(0.4)	(0.4)
Net Assets		11.0	18.4	(12.7)
Minority interest		0.0	0.0	0.0
Shareholders' equity		11.0	18.4	(12.7)
CASH FLOW				
Operating Cash Flow		(44.6)	(47.9)	(45.2)
Net Interest		(0.1)	(2.2)	(1.8)
Tax		0.0	(0.1)	(0.4)
Investment activities		(6.6)	(14.2)	(9.2)
Acquisitions/disposals		0.0	0.0	0.0
Equity financing and other financing activities		6.5	0.0	0.0
Dividends		0.0	0.0	0.0
Net Cash Flow		(44.7)	(64.4)	(56.7)
Opening net debt/(cash)		17.8	21.7	34.5
HP finance leases initiated		0.0	0.0	0.0
Other		(40.8)	(51.6)	(49.4)
Closing net debt/(cash)		21.7	34.5	41.7

Source: Company data

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