



# ERIK PENSER BANK

Penser Access | Semiconductors & Semiconductor Equipment | Sweden | 22 November 2022

## Midsummer

### Journey towards increased production continues

#### Persistent strong demand

Midsummer reported sales of SEK 16.0m in Q3 22, significantly below last year (60.3m). EBIT also fell to SEK -41.2m compared to SEK -15.0 in Q3 21. The primary reason is significantly lower revenues from Production Equipment, as no machines were sold to external customers during the quarter. Order intake for solar cell roofs, the main value driver, increased by 63% to SEK 37.8m.

#### Journey towards increased production continues

Midsummer now produces machines for use in its own production, which will lower revenues from machine sales in the short term but increase production capacity for recurring revenues from solar cell roofs further out. In addition to the capacity build-up in Italy of 50 MW (compared to current capacity of 2 MW), the company now has plans to expand capacity in Sweden, by 20 MW in the first phase. The company is working with various financing options for these capacity boosts. We believe Midsummer will succeed in finding attractive financing considering the strong underlying demand combined with the company's attractive product portfolio and the large capital supply for green investments.

#### We retain our fair value but adjust estimates

We have adjusted our estimates for the Italian capacity increase to reflect a swifter upturn in costs and revenues. This is offset by more favorable financing terms from the Italian government than in our previous model, which support the balance sheet and cash flow. We retain our fair value of SEK 18-20, where higher revenues are offset by a temporarily higher WACC due to financing activities. Uncertainty related to the timing of costs and revenues in the near term remains high, but long-term Midsummer is on the way towards establishing itself as the major European producer of solar cells and is now targeting capacity of 1,000 MW per year by 2030.

Change in estimates (SEK)					Forecast (SEK m)					Value and risk	
	22e	Δ%	23e	Δ%		2021	2022e	2023e	2024e	Fair value	SEK 18 - 20
Total revenue	179	4,7	331	79,5	Total revenue	136	179	331	632	Share price	SEK 10,3
EBITDA, adj.	-62	N.m.	-22	N.m.	Revenue growth	14%	31%	85%	91%	Risk level	High
EPS, adj.	-1,8	N.m.	-1,4	N.m.	EBITDA, adj.	-73	-62	-22	-4	<div style="background-color: #006633; color: white; padding: 5px; text-align: center;">Price Performance 12 months</div>	
Upcoming events					EBIT, adj.	-111	-98	-68	-42		
Q3 - report	16 November 2022				EPS, adj.	-2,2	-1,8	-1,4	-1,1		
Q4 - report	24 February 2023				EPS growth	-18%	N.m.	21%	23%		
Company facts (SEK m)					BV/share	3,7	3,7	2,4	1,3		
Number of shares	68m				ROE, adj.	Neg.	Neg.	Neg.	Neg.		
Market capitalization	728				EV/Sales	8,0x	4,7x	2,9x	1,7x		
Net debt	107				P/BV	4,1x	2,9x	4,6x	8,4x		
EV	835				Net debt / EBITDA	-0,8x	-1,7x	-11,0x	-87,8x		
Free float	81%										
Daily trading volume, average	157k										
Bloomberg Ticker	MIDS SS Equity										

#### Conflicts of interest

	Yes	No
Liquidity provider		✓
Certified adviser		✓
Transactions 12m		✓

#### Analyst

Orjan Roden  
orjan.rodén@penser.se

## Investment case

In our assessment, demand for renewable energy will remain strong due to high gas and electricity prices in Europe. Solar power, unlike wind and other renewable sources of energy, is small-scale, which entails relatively short lead-times because the permit process is simpler and the energy is produced in connection with consumption, which eliminates the needs for large investments in electricity grids. A solar energy installation also increases the value of a property. Combined with the cost-lowering effect of replacing gas or electricity, this creates a strong incentive for property owners to invest in a solar installation. Although the Swedish market is a key driver of demand, we see the greatest potential in the European market because solar energy in Sweden is produced only during the day and at the time of year when demand for electrical energy is lowest.

Midsummer produces a special type of solar cells under brands including “Slim” and “Wave”, which are light-weight structures that either blend in on an existing tile roof or replace a traditional folded sheet metal roof. The light-weight structure enables installation on weak roof structures that cannot bear the load of a traditional solar cell installation. Wave blends into an existing tile roof in a completely different way than conventional solar panels in frames, and appeals to many customers who dislike the visible change resulting from a conventional solar cell installation. The product is sold at a distinctly premium price compared to traditional installations, although the price to the customer does not differ as much due to simpler installation.

Midsummer’s technology is based on thin film technology, a semiconductor applied to a steel substrate, and differs significantly from conventional solar panels in terms of production and transport. This is leading to a market-leading position in terms of carbon footprint, and a smaller footprint than wind and hydro power. We believe thin film technology is going to strongly outperform conventional solar panels, which have lost their major competitive advantages: a fully globalised world strongly dependent upon exports from China and low prices for fossil-based energy, which is the most important production factor for conventional panels.

Midsummer is building an entirely new factory in Italy, financed entirely with government grants and soft loans. This will open the Southern European market to Midsummer. Solar energy conditions are considerably better in Southern Europe than at our latitudes, which creates scope for higher growth and better margins.

## Company profile

Midsummer is a Swedish producer of solar cells. The technology is based on an internally developed production process. In brief, it is based on a semiconductor layer, which involves various metals being “deposited” onto a substrate, such as sheet metal, before they are milled and etched to obtain the desired structure.

## Valuation approach

We value Midsummer with an EV/S multiple of 4 based on sales in 2025 discounted to present value with a WACC of 12,2%. The EV/S multiple is in line with larger companies listed in the US. At present, Midsummer is a small and local Swedish player, but in our assessment, the company is going to be regarded as a major regional player via its expansion in Europe, and will thus be valued in parity with comparable companies. Applying this method, we value Midsummer at SEK 19/share, which gives a fair value of SEK 18-20 per share.

Sales 2025e, SEKm	612
EV/S multiple (mean of peers, rounded down)	4
Enterprise value 2025e, SEKm	2 450
Net debt 2025e, SEKm	-368
Equity value 2025e, SEKm	2 082
WACC	12,2%
Current value, SEKm	1 315
Shares, m	67,7
<b>Value per share</b>	<b>19</b>

Source: Midsummer, EPB

EV/S	WACC		
	11,2%	12,2%	13,2%
3	14	14	13
3,5	17	17	16
4	20	19	19
4,5	23	22	21
5	26	25	24

Source: EPB

## DCF including sensitivity tables

### Valuation output

Sum of PV of FCF (explicit period)	30 561
PV of terminal value (perpetuity formula)	326 476
<b>Enterprise value</b>	<b>357 037</b>
Latest net debt	198 601
Minority interests & other	-230 000
<b>Equity value</b>	<b>388 436</b>
No. of shares outstanding (millions)	67 741,4
<b>Equity value per share (SEK)</b>	<b>6</b>

### Implicit multiples

	2025	2026	2027
EV/Sales	0,6	0,6	0,5
EV/EBITDA	4	4	3
EV/EBIT	6	6	4
EV/NOPLAT	8	7	5

### Current Share price

<b>Current Share price</b>	<b>11</b>
Upside / Downside %	-47%

### WACC assumptions

Risk free nominal rate	2,5%
Risk premium	5,5%
Extra risk premium	8,0%
Beta	1,0
Cost of equity	16,0%
Cost of debt (pre-tax)	8,0%
Tax rate	20%
Target debt/(debt + equity)	40%
WACC	12,2%

### Terminal value assumptions

Long term growth rate	4,0%
Long term EBIT margin	12,0%
Depreciation (% of sales)	3,0%
Capex (% of sales)	3,0%
Working cap. (% of sales)	25%
Tax rate	20%

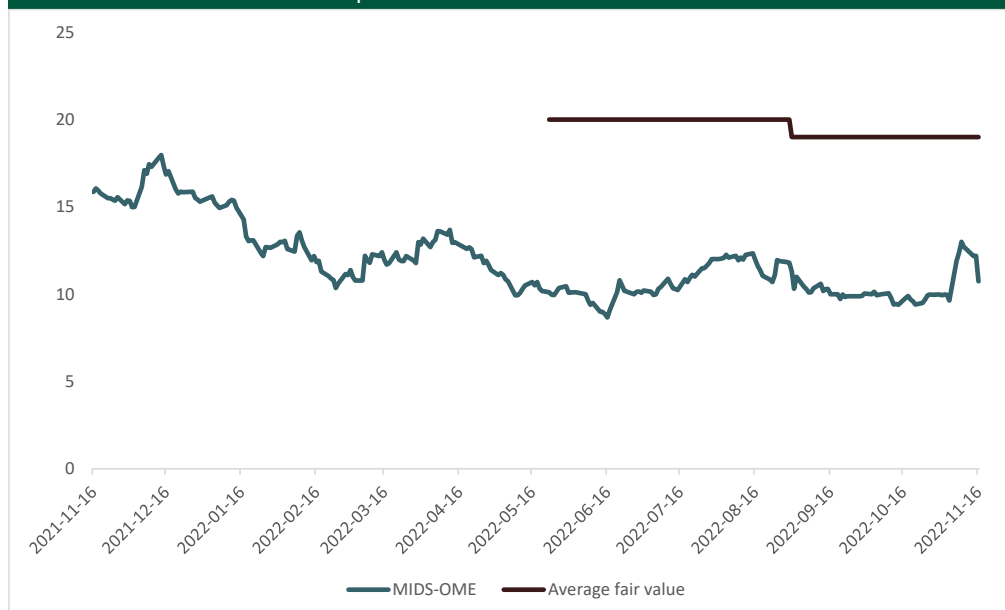
### Sensitivity analysis

WACC	Long-term growth rate				
	3,0%	3,5%	4,0%	4,5%	5,0%
11,2%	6	7	7	8	8
11,7%	6	6	6	7	7
<b>12,2%</b>	5	5	6	6	6
12,7%	5	5	5	5	6
13,2%	4	4	4	5	5

WACC	Long-term EBIT margin				
	7,0%	9,5%	12,0%	14,5%	17,0%
11,2%	4	6	7	9	11
11,7%	3	5	6	8	9
<b>12,2%</b>	3	4	6	7	8
12,7%	3	4	5	6	7
13,2%	2	3	4	6	7

Source: EPB

## Historical fair value and share price



Source: Factset, EPB

## Income statement

	2019	2020	2021	2022e	2023e	2024e
<b>Net sales</b>	<b>184</b>	<b>72</b>	<b>94</b>	<b>51</b>	<b>178</b>	<b>600</b>
Other operating income	17	47	42	128	154	32
<b>Total revenues</b>	<b>201</b>	<b>119</b>	<b>136</b>	<b>179</b>	<b>331</b>	<b>632</b>
Cost of goods sold	-107	-41	-92	-92	-124	-306
<b>Gross profit</b>	<b>94</b>	<b>78</b>	<b>44</b>	<b>87</b>	<b>207</b>	<b>326</b>
Other operating costs	-85	-128	-117	-149	-229	-331
<b>EBITDA</b>	<b>9</b>	<b>-50</b>	<b>-73</b>	<b>-62</b>	<b>-22</b>	<b>-4</b>
<b>EBITDA, adjusted</b>	<b>9</b>	<b>-50</b>	<b>-73</b>	<b>-62</b>	<b>-22</b>	<b>-4</b>
Depreciation and amortization	-32	-24	-38	-36	-47	-38
<b>EBITA, adjusted</b>	<b>(23)</b>	<b>(74)</b>	<b>(111)</b>	<b>(98)</b>	<b>(68)</b>	<b>(42)</b>
<b>EBIT</b>	<b>-23</b>	<b>-74</b>	<b>-111</b>	<b>-98</b>	<b>-68</b>	<b>-42</b>
<b>EBIT, adjusted</b>	<b>-23</b>	<b>-74</b>	<b>-111</b>	<b>-98</b>	<b>-68</b>	<b>-42</b>
Net financial items	-12	-18	-19	-22	-26	-30
<b>Profit before tax</b>	<b>-35</b>	<b>-92</b>	<b>-130</b>	<b>-119</b>	<b>-95</b>	<b>-72</b>
<b>Profit before tax, adjusted</b>	<b>-35</b>	<b>-92</b>	<b>-130</b>	<b>-119</b>	<b>-95</b>	<b>-72</b>
Taxes	-5	0	1	0	0	0
<b>Net income</b>	<b>-40</b>	<b>-92</b>	<b>-130</b>	<b>-119</b>	<b>-95</b>	<b>-72</b>
<b>Net income, adjusted</b>	<b>-40</b>	<b>-92</b>	<b>-130</b>	<b>-119</b>	<b>-95</b>	<b>-72</b>

Source: Midsummer, EPB

## Cash flow statement

	2019	2020	2021	2022e	2023e	2024e
EBIT	-23	-74	-111	-98	-68	-42
Other Cash flow Items	7	(1)	13	14	21	8
Changes in working capital	-69	-7	28	4	-38	-37
<b>Cash flow from operating activities</b>	<b>-85</b>	<b>-82</b>	<b>-70</b>	<b>-79</b>	<b>-86</b>	<b>-71</b>
Investments	-31	-29	-90	-63	-16	-31
<b>Free cash flow</b>	<b>-130</b>	<b>-135</b>	<b>-185</b>	<b>-171</b>	<b>-132</b>	<b>-132</b>
New share issue / repurchase	0	248	126	120	0	0
Changes in debt	0	0	0	110	50	50
Other items	191	-6	-1	0	0	0
<b>Cash flow</b>	<b>46</b>	<b>103</b>	<b>-66</b>	<b>59</b>	<b>-82</b>	<b>-82</b>
<b>Net debt</b>	<b>111</b>	<b>-2</b>	<b>56</b>	<b>107</b>	<b>240</b>	<b>372</b>

Source: Midsummer, EPB

## Balance sheet

	2019	2020	2021	2022e	2023e	2024e
<b>ASSETS</b>						
Other intangible assets	31	45	53	81	112	143
Tangible fixed assets	36	67	142	170	139	131
<b>Total fixed assets</b>	<b>93</b>	<b>127</b>	<b>208</b>	<b>263</b>	<b>263</b>	<b>286</b>
Inventories	24	27	30	33	63	62
Accounts receivable	6	23	23	28	48	62
Other current assets	118	126	71	66	79	156
Cash and cash equivalents	111	218	159	218	136	54
<b>Total current assets</b>	<b>259</b>	<b>393</b>	<b>283</b>	<b>346</b>	<b>326</b>	<b>334</b>
<b>TOTAL ASSETS</b>	<b>352</b>	<b>520</b>	<b>491</b>	<b>609</b>	<b>590</b>	<b>620</b>
<b>EQUITY AND LIABILITIES</b>						
Equity	100	256	253	254	159	87
<b>Total equity</b>	<b>100</b>	<b>256</b>	<b>253</b>	<b>254</b>	<b>159</b>	<b>87</b>
Long-term interest-bearing liabilities	214	209	208	318	368	418
Other long-term liabilities	1	0	0	0	0	0
<b>Total long-term liabilities</b>	<b>215</b>	<b>209</b>	<b>208</b>	<b>318</b>	<b>368</b>	<b>418</b>
Short-term interest-bearing liabilities	8	6	8	8	8	8
Accounts payable	16	34	10	14	24	47
Other current liabilities	12	14	13	16	31	61
<b>Total current liabilities</b>	<b>36</b>	<b>55</b>	<b>30</b>	<b>38</b>	<b>63</b>	<b>116</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>352</b>	<b>520</b>	<b>491</b>	<b>609</b>	<b>590</b>	<b>620</b>

Source: Midsummer, EPB

## Growth and margins

	2019	2020	2021	2022e	2023e	2024e
Revenue growth	-	-41%	14%	31%	85%	91%
EBITDA growth, adjusted	-	-655%	-45%	15%	65%	81%
EBIT growth, adjusted	-	-223%	-49%	N.m.	30%	38%
EPS growth, adjusted	-	-103%	18%	19%	21%	23%
Gross margin	51,0%	>100%	46,9%	>100%	>100%	54,4%
EBITDA margin	4,9%	Neg.	Neg.	Neg.	Neg.	Neg.
EBITDA margin, adjusted	4,9%	Neg.	Neg.	Neg.	Neg.	Neg.
EBIT margin	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
EBIT margin, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Profit margin, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.

Source: Midsummer, EPB

## Return

	2019	2020	2021	2022e	2023e	2024e
ROE, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
ROCE, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
ROIC, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.

Source: Midsummer, EPB

## Capital efficiency

	2019	2020	2021	2022e	2023e	2024e
Inventory / total revenue	12%	22%	22%	18%	19%	10%
Accounts receivable / total revenue	3%	19%	17%	16%	14%	10%
Accounts payable / COGS	15%	83%	11%	15%	19%	15%
Total short-term liabilities / total cost	42%	43%	26%	25%	27%	35%
Working capital / total revenue	60%	>100%	74%	54%	41%	27%
Capital turnover rate	0,6x	0,3x	0,3x	0,3x	0,6x	1,2x

Source: Midsummer, EPB

## Financial position

	2019	2020	2021	2022e	2023e	2024e
Net debt	111	-2	56	107	240	372
Equity ratio	29%	49%	51%	42%	27%	14%
Net debt / equity	1,1x	0,0x	0,2x	0,4x	1,5x	4,3x
Net debt / EBITDA	12,3x	0,0x	-0,8x	-1,7x	-11,0x	-87,8x

Source: Midsummer, EPB

## Per share data

	2019	2020	2021	2022e	2023e	2024e
EPS	-1,30	-2,65	-2,18	-1,76	-1,40	-1,07
EPS, adjusted	-1,30	-2,65	-2,18	-1,76	-1,40	-1,07
FCF per share	-4,20	-3,87	-3,12	-2,52	-1,96	-1,95
Book value per share	3,24	4,33	3,73	3,75	2,35	1,28
Number of shares, m	30,9	59,2	67,7	67,7	67,7	67,7
Number of shares after dilution, average	30,9	34,9	59,4	67,7	67,7	67,7

Source: Midsummer, EPB

## Valuation

	2019	2020	2021	2022e	2023e	2024e
P/E, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
P/BV	8,2x	2,5x	4,1x	2,9x	4,6x	8,4x
P/FCF	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
FCF-yield	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Dividend yield	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Payout ratio, adjusted	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
EV/Sales	4,7x	5,4x	8,0x	4,7x	2,9x	1,7x
EV/EBITDA, adjusted	104,0x	Neg.	Neg.	Neg.	Neg.	Neg.
EV/EBIT, adjusted	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
EV	938	637	1 093	835	967	1 099
Share price, year end	26,8	10,8	15,3	10,3	10,3	10,3

Source: Midsummer, EPB

## Disclosure

This publication ("the Publication") has been prepared by Erik Penser Bank AB ("the Bank") for information purposes and for general distribution, and is not intended to be advisory. The Bank is authorised to conduct banking and securities business and is regulated by Finansinspektionen (the Swedish Financial Supervisory Authority). The contents of the Publication were based on information from publicly available sources that the Bank believes to be reliable. The Bank can, however, never guarantee the accuracy or completeness of the information contained in the Publication or of any forecasts and recommendations provided.

As an aspect of preparing the Publication, the analysed company ("the Company") has verified the factual content of the Publication. The Company is, however, never able to influence the parts of the Publication that present conclusions or valuations.

Views provided in the Publication represent the analyst's own views at the time the Publication was prepared and these views may change. The Bank provides no assurance that future events will be consistent with the views expressed in the Publication. The information provided in the Publication should not be construed as advice or solicitation to execute transactions. Nor is the information directed at the individual recipient's knowledge about and experience with investments or the recipient's financial situation or investment objectives. The Publication thus does not constitute investment advice and should not be construed as such. This means that investment decisions based on the Publication are always made independently by the investor and the Bank thus disclaims any and all liability for any loss or direct or indirect injury arising from the use of this Publication. Investments in financial instruments are associated with financial risk, as they may both increase or decrease in value. Past performance of an investment is not a guarantee of future performance.

### Fair value and risk

The fair value reflects the value of the share on the date the research was published within a range of approximately 5-10%. The Bank uses several different valuation models to value financial instruments including but not limited to discounted cash flow models, multiple valuation and sum-of-the-parts estimates.

The valuation method and approach used to determine fair value are specified in the analysis and may vary from one company to the next. Material assumptions used in the valuation are based on market data available at any given time and upon a scenario for a company's future performance that we believe to be reasonable. The valuation method should be read together with the risk classification. Regarding risk classification: The share is classified according to a High/Medium/Low scale, based on several known metrics that are relevant to the Company. A general guideline for a "low risk" classification is that the Company has positive cash flow and that no individual factor affects revenues by more than 20%. A corresponding general description of "high risk" is that the Company has not achieved positive cash flow or that an individual factor affects revenues by more than 50%.

For more detailed information about valuation models, click [here](#).

### General

The Publication shall not be duplicated or distributed without the Bank's consent. The Publication shall not be distributed or made available to any natural or legal person in the United States of America (except as provided in Rule 15a – 16, Securities Exchange Act of 1934), Canada or any other country in which distribution and availability of the contents of the Publication are restricted by law.

The Bank's Research Department is governed by organisational and administrative rules established to deter and prevent conflicts of interest and to assure the objectivity and independence of analysts. In order to deter conflicts of interest, the Bank has taken actions including preventing unauthorised spread of information, also known as "Chinese Walls". The Research Department is thus physically segregated from the Corporate Finance Department, which is also not allowed to participate in producing a publication or to express views regarding a publication. The Bank also has internal rules designed to manage any conflicts of interest among the analyst, the Company and the Bank.

It may, however, occur from time to time that the Bank performs services for a company that is mentioned in a Publication. The Bank may, for example, act as an adviser to or issuing institution for the Company or as a liquidity provider for a security issued by the Company. This is disclosed in the Publication if applicable. The Bank, its owners, directors, or employees may own shares in the analysed company. The Bank has, however, established internal restrictions concerning employee trading in financial instruments that are the subject of analysis and has designed internal rules for employees' personal transactions that apply to analysts. All employees of the Bank are required to report all holdings of securities and all transactions. The analyst that prepared the Publication and other contributors who have knowledge of the conclusions of the analysis are not allowed to trade on their own account in the relevant financial instrument or related financial instruments.

The Bank pays salary to the analyst which may also consist of a share in the Bank's profits but is never dependent upon the financial performance of another department.

The research presented in the Publication has been performed in accordance with the terms and conditions of the "Penser Access" service that the Bank provides to the Company. [Click here](#) for more information about the service.

Unless otherwise expressly stated in the Publication, the analysis will be updated quarterly and whenever the Bank's Research Department finds it necessary due to, for example, material changes in market conditions or events related to the analysed company or financial instrument.

The Bank is remunerated by the Company for the Penser Access service.

---

Erik Penser Bank (publ.)  
Apelbergsgatan 27 Box 7405 103 91 STOCKHOLM  
Tel: +46 8 463 80 00 Fax: +46 8 678 80 33 [www.penser.se](http://www.penser.se)