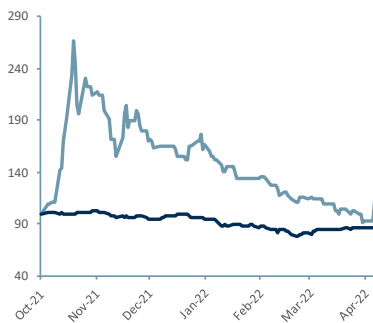


BRIEFING NOTE

52 Wk. Lo/Hi

10.00 – 32.00



LST (lighter line) vs AiM price relative

Wednesday, 20 April 2022

Close Price	10.50
52 wk Range Low	10.00
52 wk Range High	32.00
MCAP (m)	£18.29
EV (m)	£21.70
Index:	AIM
Financial YE	30-Nov
Currency	GBP

Business Activity
Tech/AgriTech

Key Metrics (Refinitiv)

Gross debt (m) mrq	£3.54
Cash (m) mrq	£0.13
Net Debt (Cash) (m)	£3.41
Net Op Cash (m) ttm	-£1.09
Revenue (m) ttm	£7.07
Net Income (m) ttm	-£1.28

Key Ratios

(Net Cash) / Shareholder Equity %	18.64%
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ACF Sector Research
AIM Market Index
Analyst Team
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Light Science Technologies

Core Investment Case

Light Science Technologies Holdings Plc (LST: AIM) is an AIM-listed holding company focusing on two divisions - contract electronics manufacturing (CEM) division, and the controlled environment agriculture (CEA) division. UK Circuits and Electronics Solutions Limited (UK Circuits) operates the CEM division, while Light Science Technologies operates the CEA division. The CEM division designs, procures and manufactures high-quality electronic products, specialising in printed circuit boards (PCBs). The CEA division provides solutions that include analysing growers' crop requirements to provide low-energy products that monitor the environment and maintain optimal growing conditions to maximise crop yields and minimise resource usage. The company's facilities are located in Manchester and Derby.

- Total Revenue of £3.4m 1H21A;
- Net loss of £0.9m 1H21A;
- Cash & cash equivalents at £0.13m as of 1H21A;
- Markets - CEM and Controlled Environment Agriculture.

Sources: Refinitiv for key metrics and ratios

GBP (m)	MCAP	EV	RoA %	RoE %	NCO	Levered FCF
2021A ttm	18.29	21.70	N/A	N/A	-1.1	N/A
Multiples	EV/ Revs	P/ S	EV/ EBITDA	Trail PE	P/ B	Current
2021A ttm	3.07x	2.59x	-30.88x	N/A	N/A	0.8x

Investment Case

Controlled Environment Agriculture (CEA) all-in-one solutions provider – The global addressable CEA lighting / sensor market is valued at ~£20bn (Mordor Intelligence). LST's CEA division market segments are glasshouse growers and polytunnel growers (a potential market extension for LST is vertical farms (VF) growers). LST's CEA data capture and analysis reduces growers' costs and increases growers' yields. The CEA unit has a recurring revenue model.

LST's all-in-one CEA bespoke solutions, combined with in-house R&D, design, research and manufacturing capabilities, differentiates Light Science Technologies from its competitors. LST's flagship solution, nurturGROW Sensor (in beta testing) enables growers to monitor 7 key nutrient and growing factors - CO₂, humidity, light, oxygen, plant disease, soil and water pH levels in real time.

CEA growth market opportunity: The controlled environment agriculture (CEA) market is large and growing, The CEA market is estimated at £20.5bn and has a projected 3-year CAGR of 21.1% to 2025E (Mordor Intelligence). The growth is driven by increasing demand found within the medicinal plant market, which is highly dependent on CEA solutions. We believe, LST with its all-in-one CEA solution, strong manufacturing capabilities and R&D pipeline is well positioned to address the growing controlled environment agriculture market.

Drivers - global food shortage and sustainably: LST's light sensor solutions and innovations make food production under cover more efficient and sustainable. The increasing food shortages and security issues, climate change, growing populations and government policies encouraging sustainable and efficient growth methods are all key underpinning demand drivers for LST. Growers are under intense pressure to increase yields, reduce energy consumption, improve fertilizer efficiency and reduce other production management input costs.

Contract Electronic Manufacturing (CEM): LST's CEM division has an established presence as a UK contract electronics manufacturer with a solid financial record. LST's CEM division delivered revenue of £6.9m and EBITDA £800k YE20A. Additionally, a strong forward order book of nearly £5m provides solid revenue and cash flow visibility for the unit and the group.

Catalyst

New contract wins at both divisions; launch of new product at its CEA division. Government policy changes driving sustainability and progress towards climate targets. Global food supply chain constrictions.

Operational Strategy

Light Science Technology Holdings (LST) current strategy is designed to grow both its contract electronic manufacturing (CEM) and controlled environment agriculture (CEA) divisions.

- **CEA division** - In the CEA division, LST is focused on delivering its pipeline of orders, expanding its marketing efforts and executing its new products R&D plan to bring together sensors, big data and AI.

Of the three CEA market verticals (glass, polytunnels and vertical farming), LST has immediate opportunities within growers under glass and polytunnel growers.

We also assess that a significant current opportunity exists within the CEA medicinal plants (e.g., cannabis) sub-market in the UK and internationally.

The Company is strengthening its R&D capability to increase the range of applications, and so market segments, for its nurturGROW sensor technology. LST invested £0.62m in R&D activities 1H21A.

LST's overarching CEA operational strategy is to address the indoor growers' market. The indoor growers' market is itself likely to expand rapidly.

The expansion of the growers' market is underpinned by global population growth, food (in)security, supply chain de-risking, increasing demand for local produce, degradation of agricultural land and grower innovation – e.g., vertical farms (VF) and experiments we are encountering in viticulture.

- **CEM division** – The operational strategy for the CEM division is designed to extend its contract electronic manufacturing services into new markets such as healthcare and defence.

To execute the CEM strategy, the company plans to pursue additional quality accreditations such as IPC-A-610, ISO 13485 (Medical industry), RISQS (Rail industry) and JOSCAR (Defence, security and space).

Other areas of investment in the CEM division include further automation of two PCB manufacturing lines, additional quality management control and an expansion of new business generation capacity.

Management Team

➤ CEO, Simon Deacon.



Simon is a highly experienced entrepreneur with a successful record of growing companies over a 25-year career in the lighting and electronic sectors. He is also CEO of UK Circuits and Electronics Solutions (LST's sister unit in the holding company). Simon is founder of private equity business Callow Capital, a boutique investing in strong growth opportunities. He spent 20 years as a director of Advance LED solutions, a bespoke B2B technical lighting business. His co-founded retail consultancy, Design Conformity Ltd, focused on safety and sustainability, can count a significant number of global retailers and brands amongst its client base.

➤ CFO, James Edward Snooks.



Jim brings a wealth of experience in finance operations of medium sized enterprises and has worked with CEO Simon Deacon for around four years including in his role as Group Finance Director at private equity boutique Callow Capital. Jim has also held numerous executive officer positions including Group Financial Controller of Breasley Group, Finance Director of Furntec Ltd and Financial Controller of GLW Feeds Ltd. He is a CIMA chartered management accountant, CGMA global chartered management accountant and holds a BA (Hons) in European Finance and Accounting.

➤ COO, Andrew Mark Hempsall.



Andrew is a seasoned industry executive with significant operational leadership experience. He has worked in a variety of operational roles in the manufacturing sector including with PE owned Arken POP International (design and manufacture of point of purchase products). Other executive roles include Sterling POS Solutions Ltd., and Head of Sustainability at POPAI UK & Ireland. Andrew holds an MBA from Nottingham University.

Risks

Technology development risk – This includes failure to produce a commercial technical solution or to be granted patents and licenses where this may be relevant.

Commodity price risk – LST is indirectly exposed to commodity price volatility. The target client base is heavily dependent on commodity inputs and may change planting, growing and development plans accordingly. Client risk mitigation steps can include risk hedging.

Funding availability risk – Technology development and manufacturing are capital-intensive business and require significant amounts of investment as well as working capital. If the company is unable to raise capital for its R&D or manufacturing expansion, it will adversely impact the timelines for its projects. Also, too much new equity (raising money via issuing equity) will lead to dilution while debt funding will increase interest cost thereby putting further pressures on cash flows. Whilst the company is clearly a candidate for sustainable impact investing there is currently no formal ESG policy with metrics, this may reduce the company's access to ESG filtered funds in particular. We estimate that in 2021 AUM \$30trn were formerly inaccessible to companies without an ESG with metrics. We assess that informally ESG-filtered AUM at this time is far in excess of AUM \$30trn. LST has a strong governance code as required by AiM.

Regulatory risk – Technology and agriculture markets tend to attract high regulatory interest given their impact on the environment as well as on the country's food security. Failure to comply with regulations could lead to delays or complete shutdown of the development of projects. Though LST does not use big data collection and analysis at this time it is a key offering under development. Big data collection / analysis cuts e.g., environmental risk and wastage for itself and its clients. LST is currently beta testing big products for potential rollout to its clients.

Personnel risk - Small and mid-cap companies are more dependent on their C-suite/executive management teams than large and mega-cap global companies. The loss of key personnel can have a disproportionate impact on valuation and market perception cf. similar events at larger more mature (often ex-growth) companies.

Supply/Demand risk – Pandemic imposed lockdowns are ongoing, creating disruptions to natural resource and component supply. Demand reductions and reduced government revenues from declining exports could lead to tax and regulatory changes.

Notes [Intentionally Blank]

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