

KebNi AB (publ)

Continued steps towards comprehensive upshift

Johan Widmark | Date: 2021-05-06 | This research is for informational purposes only. It does not constitute investment advice and is not a solicitation to buy shares. For more information, please refer to emergers.se.

While the announcements of deliveries to IAI and Saab suggest the company is holding its schedule for the year, we see multiple indications that a more comprehensive and strategic upshift in gear is underway. These include the development of a new generation of IMUs with a proprietary application business, and structurally interesting additions to the board. Overall, we still see great potential for a re-valuation to SEK 2.6-2.8 within 18-24 months, largely driven by the new CEO's ambitions for the neglected IMU operations.

Deliveries to IAI and Saab show developments on schedule

KebNi has now announced that, following an approved delivery inspection at the end of April, it has resumed the paused shipments to its Israeli customer IAI, after the previously announced delays due to Covid-19. The company has therefore invoiced approximately SEK 6 million according to plan and, together with the delivery of two IMU prototypes to be used for integration testing and evaluation at Saab Dynamics, we see support for maintaining our forecast for the full year. However, we note that our expected sales for the full year of SEK 44 million will be linked to some upshift of the sales organization that the company claims to have strengthened during the spring.

Multiple triggers bubbling beneath the surface

After a fairly sharp rise in connection with the company's refinancing in Q1 2021, the share has slowly fallen back during the spring to historical lows just above SEK 1 as short-term holders in the private placement have probably exited. We see good prospects of today's share price representing a long-term attractive level to enter the stock, with several potential long-term drivers for a revaluation. These include the company's development efforts in IMUs in 2021, with at least one new unit as-yet uncommunicated, proprietary application operations, launch of KebNi's 1.75m COTP antenna, and payback from the increased sales efforts in satellite antennas. Overall, we continue to see high potential with a fair value of SEK 2.6-2.8 per share on a 18-24 month horizon, based on DCF and peer multiples.

Realignment of board worth noting

We also note some changes to the board with the entry of Anders Björkman, who has prior experience from Satmission's former owner Allgon AB and Tele2 AB. Björkman is also a director and former chairman of Ovzon (Mid Cap, BV SEK 3.9 bn), which hopefully reflects an ambition to develop a stabilized satellite-communication-as-a-service offering in partnership with Ovzon in the future, which would be a welcome shift for KebNi from exclusively box delivery into a solutions provider.

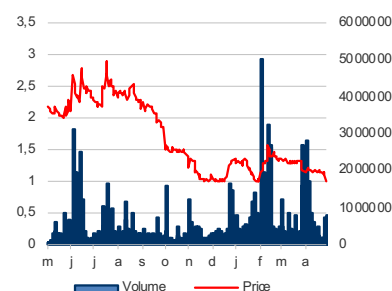
MSEK	2019	2020	2021E	2022E	2023E
Sales	35	39	44	75	118
EBITDA	-5	-26	-19	-5	10
EBIT	-12	-35	-27	-13	2
EPS Adjusted	-1,21	-0,59	-0,28	-0,13	0,02
Sales Growth, %	411,8	10,6	15,4	67,8	58,1
EBITDA Margin, %	-14,0	-67,3	-42,3	-6,2	8,5
EBIT Margin, %	-35,0	-91,9	-60,3	-17,0	1,8
EV/Sales	1,33	1,91	2,11	1,39	0,84
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	9,8
EV/EBIT	n.a.	n.a.	n.a.	n.a.	47,9
P/E	n.a.	n.a.	n.a.	n.a.	65,8

Source: Emergers

Read our analysis

KebNi
investing in
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KebNi AB (publ)

Fair Value, SEK (18-24 m)	2,6 - 2,8
Current Price, SEK	1,12
Number of Shares (Millions)	96,75
Market Capitalisation (MSEK)	107,97
Net Debt (MSEK)	-10,60
Enterprise Value (MSEK)	97,37
Market	First North

Company description

KebNi AB (publ.), formerly ASTG AB until July 2020, is active in technology, products and solutions for security, positioning and stabilisation. The company has extensive experience in solutions for maritime satellite antennas and inertial sensor systems for motion detection.

The company currently has operations in two different product areas: satellite antenna platforms and inertial motion sensors (IMUs).

Satellite antenna platforms include the following activities:

- **KebNi Maritime** – innovative 4-axis stabilized VSAT terminals for primarily maritime installations.
- **KebNi Land Mobile**, which consists of two arms
 - KebNi Comms on the Move (**COTM Land**) – stabilized mobile antennas for vehicles traveling or moving over land.
 - Satmission by KebNi – Comms on the Pause (**COTP Land**) – Driveaway antennas where the vehicle stands still upon satellite contact.
- **KebNi Inertial Sensing** (inertial measurement units, IMUs) – advanced inertial sensor systems for measuring movement in three dimensions. IMUs are a key component in the company's stabilized satellite platforms and are also sold to external customers for other applications.

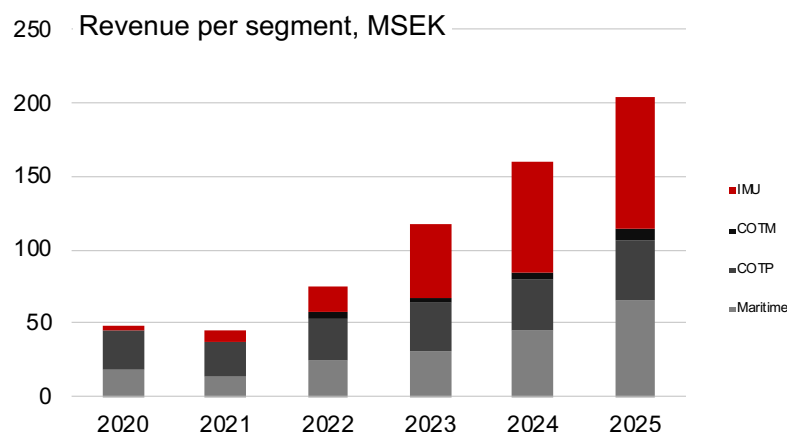
In 2020, KebNi acquired technology from ReQuTech AB in COTM Land, and Satmission AB in COTP Land as a complement to its existing product portfolio.

Revenue per segment

MSEK

	2020E	2021E	2022E	2023E	2024E
Maritime	10	13	25	32	45
COTP	25	24	28	32	36
COTM	0	0	4	4	4
IMU SAAB, MSEK	4	6	13	30	40
IMU other, MSEK	0	1	5	20	35
Total revenue, IMU, MSEK	4	7	18	50	75
Total Revenue	39	44	75	118	160

Source: Emergers



Källa: Emergers

Valuation - plenty of upside potential

KebNi has a long period of losses behind it, and this is expected to continue for at least two years. At the same time, the company has made, and continues to make, significant investments in technology development that

have not yet been translated into commercial contracts. Any valuation of the company is therefore associated with a particularly high degree of uncertainty. This analysis uses a two-pronged approach using both target multiples for future expected sales and profit (EV/sales, EV/EBITDA and P/E) and a present value calculation of future cash flows (DCF) discounted to the present with a discount rate (WACC) of 12%.

Since our forecast shows that the company can achieve these future gains without additional capital contribution, we do not calculate for any further dilution. All in all, our calculations show a fair value of SEK 2.6 (DCF) – 2.8 (multiples) per share on an 18-24 month horizon using our Base Case scenario.

DCF Key Assumptions

WACC	12%
Long-term EBITDA-margin	22%
Long-term CAPEX as share of sales	3%
Terminal Value EBITDA-multiple	8x
Total NPV, MSEK	254
NPV per share, SEK	2,6

Source: Emergers

A quantitative comparison also shows that KebNi is traded at a high discount compared to its peers, which in almost all cases show losses at the EBITDA level. Overall, we therefore see good support for our valuation and note that there is plenty of upside potential if KebNi succeeds in turning the sentiment towards the share and regaining market confidence.

KebNi AB (publ)

Income Statement

MSEK	2018	2019	2020	2021E	2022E	2023E	2024E
Sales	6,8	34,8	38,5	44,4	74,6	117,9	159,5
Operating Costs	-17,8	-39,7	-64,4	-63,3	-79,2	-107,8	-134,5
EBITDA	-11,0	-4,9	-25,9	-18,8	-4,7	10,1	25,0
Depreciation	-1,1	-7,3	-9,5	-8,0	-8,0	-8,0	-8,0
Amortisation of Goodwill	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT	-12,1	-12,2	-35,4	-26,8	-12,7	2,1	17,0
Non-recurring Items	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Associated Companies	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net Financial Items	-1,5	-3,3	-2,1	0,0	0,0	0,0	0,0
Pre-tax Result	-13,6	-15,5	-37,5	-26,8	-12,7	2,1	17,0
Tax	0,0	0,0	0,0	0,0	0,0	-0,4	-3,5
Minority Interest	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net Result	-13,6	-15,5	-37,5	-26,8	-12,7	1,6	13,5

Capital Expenditure

	2018	2019	2020	2021E	2022E	2023E	2024E
Capital Expenditure, Absolute	6,8	5,0	5,0	2,2	2,2	3,5	4,8
As a Pct of Sales	100,0	14,4	13,0	5,0	3,0	3,0	3,0
Depreciation Multiple	6,2	0,7	0,5	0,3	0,3	0,4	0,6

Key Ratios

Share Price: SEK 1,12

	2018	2019	2020	2021E	2022E	2023E	2024E
Share Price at 31 Dec	7,80	4,25	1,33	1,12	1,12	1,12	1,12
Number of Shares (Millions)	7,30	12,81	63,39	96,75	96,75	96,75	96,75
Market Cap	57,0	54,4	84,1	108,0	108,0	108,0	108,0
Enterprise Value	68,1	46,3	73,5	93,7	103,6	99,1	82,4
EPS (Reported)	-1,86	-1,21	-0,59	-0,28	-0,13	0,02	0,14
EPS (Adjusted)	-1,86	-1,21	-0,59	-0,28	-0,13	0,02	0,14
CEPS	-1,15	-1,71	-0,11	-0,19	-0,05	0,10	0,22
P/CEPS	n.a.	n.a.	n.a.	n.a.	n.a.	11,2	5,0
Book Value/Share	2,0	4,0	1,0	0,4	0,3	0,3	0,4
P/BV	3,8	1,1	1,3	2,8	4,2	3,9	2,6
Dividend	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Dividend Yield (%)	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Dividend Payout Ratio (%)	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EV/Sales	10,0	1,3	1,9	2,1	1,4	0,8	0,5
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	9,8	3,3
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	47,9	4,8
P/E (Adjusted)	n.a.	n.a.	n.a.	n.a.	n.a.	65,8	8,0
Sales Growth, Y/Y (%)	n.a.	411,8	10,6	15,4	67,8	58,1	35,3
EBIT Growth, Y/Y (%)	n.a.	0,6	190,8	-24,2	-52,8	-116,3	722,5
EPS Growth (Adjusted), Y/Y (%)	n.a.	-35,1	-51,0	-53,1	-52,8	-113,0	722,5
EBITDA Margin (%)	-161,8	-14,0	-67,3	-42,3	-6,2	8,5	15,7
EBIT Margin (%)	-177,9	-35,0	-91,9	-60,3	-17,0	1,8	10,7
Return on Equity (%)	n.a.	-47,2	-64,6	-51,7	-39,4	6,2	39,5
Tax Rate (%)	0,0	0,0	0,0	0,0	0,0	20,6	20,6

Financial Position

	2018	2019	2020	2021E	2022E	2023E	2024E
Interest-Bearing Net Debt	11	-8	-11	-14	-4	-9	-26
Net Debt/Equity	75,0	-15,9	-16,2	-37,1	-17,0	-32,4	-62,5
Equity Ratio	35,7	83,0	78,0	46,6	38,6	41,1	50,9
Net Debt/EBITDA	-1,0	1,7	0,4	0,8	0,9	-0,9	-1,0

Source: Emergers, Company reports

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