

KebNi AB (publ)

Strong momentum in internal development behind short-term lull this quarter

Johan Widmark | Date: 2021-08-25 | 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](https://www.emergers.se).

KebNi's reporting continues to have an emphasis on the company's comprehensive internal work. The sales organization reached full strength in August, and the company is preparing for activities during the autumn in parallel with the development of its own IMU application for scaffolding and the launch of NG IMU in spring 2022. Following lower revenues than we anticipated from the existing operations, we have lowered our expectations for the full year and extended the expected run-up for KebNi's re-styled operations, which is why we also expect a renewed need for capital during the winter.

Strong momentum in build-up behind the lull this quarter

The report for the second quarter reflects a high level of internal activity at KebNi, demonstrating excellent potential to re-style the company into a more sales-oriented organization with a broader and more current product offering, including everything from the new 1.8 meter drive-away antenna, an IMU offering that highlights the forefront of technology with the launch of NG IMU, and a sales organization with a tripled reach in terms of partner presence by 2022. At the same time, short-term growth continued to weaken in the second quarter, with basically non-existent sales, earnings of SEK -10 million and operating cash flow of SEK -17 million.

Mixed performance in the existing portfolio

In addition to the final delivery to IAI during Q2 2021 and scheduled deliveries of IMU prototypes to SAAB, Satmission is now preparing a road show during the autumn that should be able to make an impact on sales in the medium term. At the same time, development work is underway on the company's own IMU application for monitoring scaffolding, which is expected to be launched in 2022. Although we expect small volumes initially, our calculations show (see our most recent update Scaffolding focus in new vertical with great potential) annual revenue potential of SEK 100 million, and the application will be able to expand to real-time monitoring of a variety of other areas with little or no modification.

Expected strengthening of cash reserves towards winter

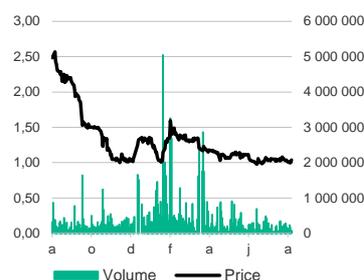
As the support from the underlying satellite operations has proven to be more variable and less predictable, we have lowered our expectations for sales this year and do not expect profit until 2024. With operating cash flow so far this year of SEK -29 million and our lower level of expectation for the coming year, we anticipate a renewed need for capital during the winter. Adjusted for the dilution from an expected rights issue of SEK 20 million, our forecast provides support for a fair value based on DCF and comparative multiples of SEK 1.5-2.2 (2.5-2.9) per share on a horizon of 18-24 months.

MSEK	2019	2020	2021E	2022E	2023E
Sales	35	39	28	50	85
EBITDA	-5	-26	-32	-11	5
EBIT	-12	-35	-40	-19	-4
EPS Adjusted	-1,21	-0,59	-0,42	-0,16	-0,03
Sales Growth, %	411,8	10,7	-26,9	77,4	70,0
EBITDA Margin, %	-14,0	-67,1	-114,0	-21,6	5,5
EBIT Margin, %	-35,0	-91,8	-143,4	-38,2	-4,2
EV/Sales	1,33	1,91	3,31	2,28	1,34
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	24,2
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.
P/E	n.a.	n.a.	n.a.	n.a.	n.a.

Source: Emergers

KebNi AB (publ)

Fair Value, SEK (18-24 m)	1,5 - 2,2
Current Price, SEK	0,97
Number of Shares (Millions)	96,75
Market Capitalisation (MSEK)	93,65
Net Debt (MSEK)	-34,49
Enterprise Value (MSEK)	59,16
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 stabilization. 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).

- **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)** – drive-away 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.

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 employing 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 cannot achieve these future gains without an additional injection of capital, we expect further dilution from a new rights issue of SEK 20 million. Overall, our calculations show support for a fair value of SEK 1.5-2.2 per share on a horizon of 18-24 months, based on DCF and multiples.

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	198
NPV per share, SEK	1,6

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.

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Income Statement

MSEK	2018	2019	2020	2021E	2022E	2023E	2024E
Sales	6,8	34,8	38,5	28,2	50,0	85,0	125,0
Operating Costs	-17,8	-39,7	-64,4	-60,3	-60,8	-80,3	-102,3
EBITDA	-11,0	-4,9	-25,9	-32,1	-10,8	4,7	22,7
Depreciation	-1,1	-7,3	-9,5	-8,3	-8,3	-8,3	-8,3
Amortisation of Goodwill	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT	-12,1	-12,2	-35,4	-40,4	-19,1	-3,6	14,4
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	0,1	0,0	0,0	0,0
Pre-tax Result	-13,6	-15,5	-37,4	-40,3	-19,1	-3,6	14,4
Tax	0,0	0,0	-0,1	0,0	0,0	0,0	-3,0
Minority Interest	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net Result	-13,6	-15,5	-37,5	-40,3	-19,1	-3,6	11,4

Capital Expenditure

	2018	2019	2020	2021E	2022E	2023E	2024E
Capital Expenditure, Absolute	6,8	5,0	5,0	1,4	1,5	2,6	3,8
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	0,2	0,2	0,3	0,5

Key Ratios

Share Price: SEK 0,97

	2018	2019	2020	2021E	2022E	2023E	2024E
Share Price at 31 Dec	7,80	4,25	1,33	0,97	0,97	0,97	0,97
Number of Shares (Millions)	7,3	12,8	63,4	96,7	121,1	121,1	121,1
Market Cap	57,0	54,4	84,1	93,6	117,2	117,2	117,2
Enterprise Value	68,1	46,3	73,5	93,4	114,2	113,6	97,6
EPS (Reported)	-1,86	-1,21	-0,59	-0,42	-0,16	-0,03	0,09
EPS (Adjusted)	-1,86	-1,21	-0,59	-0,42	-0,16	-0,03	0,09
CEPS	-1,15	-1,71	-0,11	-0,45	-0,09	0,04	0,16
P/CEPS	n.a.	n.a.	n.a.	n.a.	n.a.	24,9	5,9
Book Value/Share	2,0	4,0	1,0	0,6	0,3	0,3	0,4
P/BV	3,8	1,1	1,3	1,6	3,0	3,2	2,5
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	3,3	2,3	1,3	0,8
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	24,2	4,3
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	6,8
P/E (Adjusted)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10,2
Sales Growth, Y/Y (%)	n.a.	411,8	10,7	-26,9	77,4	70,0	47,1
EBIT Growth, Y/Y (%)	n.a.	0,6	190,6	14,3	-52,8	-81,2	-500,8
EPS Growth (Adjusted), Y/Y (%)	n.a.	-35,1	-51,0	-29,6	-62,2	-81,2	-418,3
EBITDA Margin (%)	-161,8	-14,0	-67,1	-114,0	-21,6	5,5	18,2
EBIT Margin (%)	-177,9	-35,0	-91,8	-143,4	-38,2	-4,2	11,5
Return on Equity (%)	n.a.	-47,2	-64,6	-65,0	-38,8	-9,5	27,3
Tax Rate (%)	0,0	0,0	-0,2	0,0	0,0	0,0	20,6

Financial Position

	2018	2019	2020	2021E	2022E	2023E	2024E
Interest-Bearing Net Debt	11	-8	-11	0	-3	-4	-20
Net Debt/Equity	75,0	-15,9	-16,2	-0,5	-7,5	-9,8	-41,1
Equity Ratio	35,7	83,0	78,0	79,9	57,2	56,2	62,8
Net Debt/EBITDA	-1,0	1,7	0,4	0,0	0,3	-0,8	-0,9

Source: Emergers, Company reports

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