

KebNi AB (publ)

New strategy with payback on investments from 2022

Johan Widmark | Date: 2021-10-29 | 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.

With a new strategic plan for 2022-2026, a product portfolio geared to the forefront of technology, and strong double-digit market growth to support multiple verticals, KebNi will grow its two segments, SatCom and Inertial Sensing, to matching size by 2025. Strong expected growth, especially in IMUs, will translate into positive numbers by 2023/2024, in line with the company's plan. Meanwhile, the development work has eaten away at the cash reserves and is not expected to be converted into revenues until 2022. Adjusted for a renewed capital requirement during the winter, our forecast now supports a fair value of SEK 1.2-1.8 per share on a horizon of 18-24 months.

Underpinned by strong growth trends

With a focus on the growth trends of Space, Automation and Connectivity, KebNi's new strategic plan for 2022-2026 aims to grow the two product areas within SatCom at a pace above market growth and to match Inertial Sensing in size by 2025. SatCom's Maritime product area is expected to grow by 20%, while the Land product area as a whole is considered mature with 4% market growth. At the same time, KebNi now wants to expand SatCom Land from a focus on broadcasting to also include public authorities and the military, which are expected to show market growth of as much as 40%. The strategy in Inertial Sensing is also based on high market growth and new investments in both IMUs as a product (with customer-financed development projects in Tactical and Navigation) and own applications like monitoring of scaffolding (where we see long-term global potential for annual revenues in excess of SEK 100 million) as the first of five applications by 2026.

Range of possible outcomes

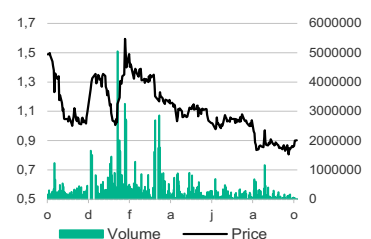
While we assume that the two product areas within SatCom, Maritime and Land, will be equal in size at the end of the period, some uncertainty about the reference point in time for the growth assumptions (as 2021 will be a clearly weaker year than 2020) means that the company's strategic ambition still translates into a range of possible outcomes. After slightly adjusted long-term mutual expectations for Inertial Sensing and SatCom, we have changed our sales forecasts to SEK 46 million, SEK 83 million and SEK 113 million for 2022-2024E. This is in line with our previous assumption of sales of around SEK 90 million to achieve break-even, and also the company's ambition of positive figures at operating level in the second half 2023 and positive cash flow in 2024.

Expected strengthening of cash reserves towards the winter

In the short term, the share price has been pressured by the absence of positive news after the weak report for Q2 2021, and because the SatCom orders announced in press releases reflect a lower sales level than our previous expectations. With just over two months left in 2021, we now expect a significant slowdown compared to 2020, although revenues from IAI and SAAB will make the second half of 2021 better than the weak first half. After that, we expect the company's IMU investment and efforts in SatCom during 2021 to start to bear fruit in 2022. With an operational cash flow so far this year of SEK -29 million and subdued prospects in the near future, we envisage a renewed need for capital during the winter. Adjusted for the dilution from an expected issue of SEK 20 million, our forecast now provides support for a fair value based on DCF and comparative multiples of SEK 1.2-1.8 per share on a horizon of 18-24 months.

KebNi AB (publ)

Fair Value, SEK (18-24 m)	1,2 - 1,8
Current Price, SEK	0,81
Number of Shares (Millions)	96,75
Market Capitalisation (MSEK)	78
Net Debt (MSEK)	-34
Enterprise Value (MSEK)	44
Market	First North



MSEK	2019	2020	2021E	2022E	2023E
Sales	35	39	21	46	83
EBITDA	-5	-26	-31	-13	4
EBIT	-12	-35	-39	-21	-5
EPS Adjusted	-1,21	-0,59	-0,41	-0,17	-0,04
Sales Growth, %	411,8	10,7	-46,0	122,4	79,3
EBITDA Margin, %	-14,0	-67,1	-149,1	-27,3	4,5
EBIT Margin, %	-35,0	-91,8	-188,9	-45,2	-5,5
EV/Sales	1,33	1,91	3,68	2,13	1,19
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	26,6
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

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 segments: SatCom and Inertial Sensing (IMUs).

SatCom has two product areas

- **Maritime** – innovative 4-axis stabilized VSAT terminals for primarily maritime installations.
- **KebNi Land**, 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.

Inertial Sensing (inertial measurement units, or 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 Inertial Sensing, KebNi is investing both in offering IMUs as a product (i.e. an input for other companies' applications, such as in defence or automotive) and offering its own applications. So far, the company has presented its plans for the first of five such own applications, scaffolding monitoring. Please refer to our report entitled **Scaffolding focus in new vertical with great potential**. (https://www.emergers.se/kebni_c/).

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 1.2-1.8 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	12x
Total NPV, MSEK	187
NPV per share, SEK	1.5

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	20,8	46,3	83,0	113,1
Operating Costs	-17,8	-39,7	-64,4	-51,9	-59,0	-79,3	-96,4
EBITDA	-11,0	-4,9	-25,9	-31,0	-12,7	3,7	16,8
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	-39,3	-20,9	-4,6	8,5
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	-39,2	-20,9	-4,6	8,5
Tax	0,0	0,0	-0,1	0,0	0,0	0,0	-1,7
Minority Interest	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net Result	-13,6	-15,5	-37,5	-39,2	-20,9	-4,6	6,7

Capital Expenditure

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

Key Ratios

Share Price: SEK 0,81

	2018	2019	2020	2021E	2022E	2023E	2024E
Share Price at 31 Dec	7,80	4,25	1,33	0,81	0,81	0,81	0,81
Number of Shares (Millions)	7,3	12,8	63,4	96,7	125,8	125,8	125,8
Market Cap	57,0	54,4	84,1	78,4	101,9	101,9	101,9
Enterprise Value	68,1	46,3	73,5	76,6	98,7	99,0	87,4
EPS (Reported)	-1,86	-1,21	-0,59	-0,41	-0,17	-0,04	0,05
EPS (Adjusted)	-1,86	-1,21	-0,59	-0,41	-0,17	-0,04	0,05
CEPS	-1,15	-1,71	-0,11	-0,44	-0,10	0,03	0,12
P/CEPS	n.a.	n.a.	n.a.	n.a.	n.a.	27,4	6,8
Book Value/Share	2,0	4,0	1,0	0,6	0,3	0,3	0,3
P/BV	3,8	1,1	1,3	1,3	2,6	3,0	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	3,7	2,1	1,2	0,8
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	26,6	5,2
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	10,3
P/E (Adjusted)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15,2
Sales Growth, Y/Y (%)	n.a.	411,8	10,7	-46,0	122,4	79,3	36,2
EBIT Growth, Y/Y (%)	n.a.	0,6	190,6	11,2	-46,7	-78,1	-285,0
EPS Growth (Adjusted), Y/Y (%)	n.a.	-35,1	-51,0	-31,5	-58,9	-78,1	-246,9
EBITDA Margin (%)	-161,8	-14,0	-67,1	-149,1	-27,3	4,5	14,8
EBIT Margin (%)	-177,9	-35,0	-91,8	-188,9	-45,2	-5,5	7,5
Return on Equity (%)	n.a.	-47,2	-64,6	-62,7	-42,4	-12,5	17,8
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	-2	-3	-3	-14
Net Debt/Equity	75,0	-15,9	-16,2	-2,9	-8,2	-8,3	-35,2
Equity Ratio	35,7	83,0	78,0	80,2	56,3	54,5	58,9
Net Debt/EBITDA	-1,0	1,7	0,4	0,1	0,3	-0,8	-0,9

Source: Emergers, Company reports

Johan Widmark | Tel: +46 739 19 66 41 | Email: johan@emergers.se

DISCLAIMER

The information provided in this document or on Emergers' website at emergers.se is not intended to constitute financial advice. Emergers receives payment for writing about the company in this document. The company has been given the opportunity to review factual statements before publication, but forecasts, conclusions and any valuation reasoning are Emerger's own. Research articles should not be interpreted as a recommendation or solicitation to invest in the companies described. Emergers cannot guarantee that the conclusions presented in the research will be met. Emergers cannot be held liable for either direct or indirect damage caused by decisions made on the basis of information in this research. Potential investors are encouraged to read additional material and information as well as consult a financial advisor prior to any investment decision. For full terms and conditions, please refer to emergers.se.

Emergers
Incirrata AB
Enbacken 16
187 44 Täby, Sweden

Tel: +46 739 19 66 41
Email: johan@emergers.se
Company number: 556815-7837
The company holds an F-tax certificate