

KebNi AB (publ)

Set for a sharp rise in business activity 2022-2023

Johan Widmark | 2022-02-28 08:00 | This commissioned research is for information purposes only. It is not an investment recommendation or investment advice. For more information, please see disclaimer.

Increased own sales capacity and international representation, with the company's partner in Turkey already delivering multiple deals, plus a number of ongoing business opportunities and development projects with intense interest from customers, mean everything looks set for a sharp boost in business activity in 2022 and 2023. This lends support to the company's strategic goal of positive operating profit by H2 2023. That said, these investments are eating up cash, and adjusted for a renewed need for capital in 2022 our forecasts provide support for a fair value of SEK 1.2-1.6 per share on a horizon of 18-24 months.

Final delivery to IAI delayed until Q1 2022

The report for the fourth quarter showed continued recovery compared with the weak start to the year in terms of sales, with full-year sales of SEK 18m, just under our SEK 21m forecast. This is lower than our original forecast since the final delivery to IAI has been postponed until Q1 2022. In terms of activity, the fourth quarter of 2021 included a number of points that support the company's strategic plan for 2022-2026. For example, Satmission's framework agreement for Drive Away antennas to Turkey made a surprisingly strong start, with three orders totalling SEK5m. For the IMU work on Saab's NLAW portable anti-tank weapon, the company says that the invasion of Ukraine (where pictures are currently being spread on social media of a burning Russian tank that is said to have been hit with an NLAW that Ukraine received via the British) could mean a shortened schedule if increased demand brings forward Saab's requirements.

Increased business activity and reach

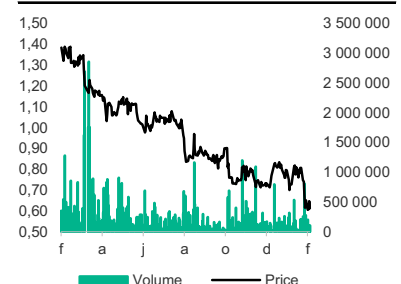
The sales organization has increased from 1.4 to 4 individuals, and KebNi has increased its international representation from one to 17 countries. Together with a number of existing business opportunities and ongoing discussions in maritime satellites, the new SensAI tion IMU family, and an opportunity to introduce the company's upcoming position monitoring application in South Korea, this provides support for a major boost in business activity in 2022 and 2023. At the same time, we note that the European Commission in February this year launched a new [EUR 6 billion satellite communications plan](#) to reduce the EU's dependence on non-EU companies and address the increased satellite activity of Russia and China. Overall, this provides support for KebNi's strategic plan for 2022-2026, to grow SatCom at a pace above market growth and match Inertial Sensing in size by 2025, show positive operating profit by H2 2023, and positive cash flow by 2024.

Support for high revaluation potential to SEK 1.2-1.6

After the final delivery to IAI during Q1 2022, we expect that the company's IMU efforts and increased market activity within SatCom will start to bear fruit in 2022, and we maintain our forecast of a sharp increase in sales this year and next year to SEK 46m and SEK 83m, respectively. This rhymes with the company's goal of showing a positive operating profit by H2 2023. We have previously highlighted KebNi's need to strengthen its cash reserves, as the bridging loan of SEK12m and the cash of SEK 15m cannot be expected to suffice until cash flow is positive. A new rights issue of SEK 20m at today's squeezed share price would mean dilution of around 35%. With accelerating momentum in activity and development efforts, and good prospects for payback in 2022 and 2023, we see support for a fair value based on DCF and comparison multiples of SEK 1.2-1.6 (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	0,69
Number of Shares (Millions)	96,7
Market Capitalisation (MSEK)	67
Net Debt (MSEK)	-15
Enterprise Value (MSEK)	52
Market	First North



MSEK	2020	2021	2022E	2023E	2024E
Sales	39	18	46	83	113
EBITDA	-26	-29	-13	4	17
EBIT	-35	-38	-22	-5	8
EPS Adjusted	-0,59	-0,39	-0,16	-0,04	0,05
Sales Growth, %	10,7	-52,6	153,5	79,3	36,2
EBITDA Margin, %	-67,1	-161,2	-27,3	4,5	14,8
EBIT Margin, %	-91,8	-209,6	-46,4	-6,2	7,0
EV/Sales	1,91	3,28	1,54	0,86	0,53
EV/EBITDA	n.a.	n.a.	n.a.	19,3	3,6
EV/EBIT	n.a.	n.a.	n.a.	n.a.	7,6
P/E	n.a.	n.a.	n.a.	n.a.	14,5

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** - Satmission by KebNi – 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/).

Strategic plan for 2022-2026

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.

Overall, KebNi's most important communicated targets in its 2022-2026 strategic plan are:

- Positive operating profit in the second half of 2023
- Positive cash flow in 2024
- Grow Satcom more than the market during the 5-year period
- Inertial Sensing and SatCom will be the same size by 2025

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 1.2-1.6 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	189
NPV per share, SEK	1,4

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	2021	2022E	2023E	2024E
Sales	6,8	34,8	38,5	18,3	46,3	83,0	113,1
Operating Costs	-17,8	-39,7	-64,4	-47,7	-59,0	-79,3	-96,4
EBITDA	-11,0	-4,9	-25,9	-29,4	-12,7	3,7	16,8
Depreciation	-1,1	-7,3	-9,5	-8,9	-8,9	-8,9	-8,9
Amortisation of Goodwill	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT	-12,1	-12,2	-35,4	-38,3	-21,5	-5,1	7,9
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	0,4	0,0	0,0	0,0
Pre-tax Result	-13,6	-15,5	-37,4	-37,9	-21,5	-5,1	7,9
Tax	0,0	0,0	-0,1	0,1	0,0	0,0	-1,6
Minority Interest	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net Result	-13,6	-15,5	-37,5	-37,8	-21,5	-5,1	6,3

Capital Expenditure

	2018	2019	2020	2021	2022E	2023E	2024E
Capital Expenditure, Absolute	6,8	5,0	5,0	1,3	1,4	2,5	3,4
As a Pct of Sales	100,0	14,4	13,0	6,9	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 0,69

	2018	2019	2020	2021	2022E	2023E	2024E
Share Price at 31 Dec	7,80	4,25	1,33	0,77	0,69	0,69	0,69
Number of Shares (Millions)	7,3	12,8	63,4	97,5	131,5	131,5	131,5
Market Cap	57,0	54,4	84,1	75,1	90,9	90,9	90,9
Enterprise Value	68,1	46,3	73,5	59,9	71,3	71,7	59,9
EPS (Reported)	-1,86	-1,21	-0,59	-0,39	-0,16	-0,04	0,05
EPS (Adjusted)	-1,86	-1,21	-0,59	-0,39	-0,16	-0,04	0,05
CEPS	-1,15	-1,71	-0,11	-0,38	-0,11	0,03	0,12
P/CEPS	n.a.	n.a.	n.a.	n.a.	n.a.	24,5	6,0
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	1,2	2,1	2,6	2,2
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	1,5	0,9	0,5
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	19,3	3,6
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7,6
P/E (Adjusted)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	14,5
Sales Growth, Y/Y (%)	n.a.	411,8	10,7	-52,6	153,5	79,3	36,2
EBIT Growth, Y/Y (%)	n.a.	0,6	190,6	8,2	-43,8	-76,1	-253,9
EPS Growth (Adjusted), Y/Y (%)	n.a.	-35,1	-51,0	-34,4	-57,9	-76,1	-222,2
EBITDA Margin (%)	-161,8	-14,0	-67,1	-161,2	-27,3	4,5	14,8
EBIT Margin (%)	-177,9	-35,0	-91,8	-209,6	-46,4	-6,2	7,0
Return on Equity (%)	n.a.	-47,2	-64,6	-59,5	-42,1	-13,6	16,4
Tax Rate (%)	0,0	0,0	-0,2	0,1	0,0	0,0	20,6

Financial Position

	2018	2019	2020	2021	2022E	2023E	2024E
Interest-Bearing Net Debt	11	-8	-11	-15	-20	-19	-31
Net Debt/Equity	75,0	-15,9	-16,2	-24,5	-48,6	-54,7	-74,7
Equity Ratio	35,7	83,0	78,0	67,0	45,2	42,6	46,7
Net Debt/EBITDA	-1,0	1,7	0,4	0,5	1,5	-5,2	-1,8

Source: Emergers, Company reports

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