

KebNi AB (publ)

Strong momentum with near-term triggers to crystallise further upside potential

Johan Widmark | 2022-08-30 11:30

Besides completing a capital raise in these challenging market conditions, KebNi enjoys strong business momentum with new antenna orders from IAI of SEK 11m and increasing interest for the company's IMUs. With revenues to date of SEK 16m, we expect the interest and order flow to convert to a pick-up in revenues in H2'22 and maintain our forecast at SEK 46m for the full year. The main triggers for the share remain the first volume order for series production of IMUs for SAAB's NLAW and KebNi's revised financial targets, of which both are expected during fall and likely to crystallise the bright outlook. With a doubling since spring, the share price is now close to the low end of our fair value range which we keep unchanged at SEK 1.2-1.8 in 12-24 months.

High activity converting to revenues in H2 and beyond

Sales came in at SEK 7.2m in Q2'22, while costs increased somewhat in line with the accelerated development and preparations for, and investments in, volume series production capability of the IMUs for SAAB's NLAW. For the second half of 2022, we expect a pick-up in international orders in Satmission as well as continued deals in Inertial Sensing. Guided by the good momentum across all KebNi's business areas we are confident about a pick-up in revenues in H2'22 and maintain our full year forecast at SEK 46m for 2022.

IMUs for NLAW key piece of the puzzle

Considering the pivotal role NLAW has played so far in Ukraine, the demand for NLAW can be expected to increase significantly from other countries in Russia's vicinity. The NLAW is almost unique with the exception of one comparable competitor, the American Javelin, which is about 6x as expensive. A simple calculation shows that if the UK were to replenish its stocks after the 10,000 NLAW it sent to Ukraine and we assume a price per IMU at the lower end of the range for the variety used in NLAW, this would mean a business potential of SEK 200-300m for KebNi, to the UK alone. The time horizon and scope of such series production orders are still unclear, but we note the supplementary order from SAAB regarding NLAW in mid-March this year which indicates that bigger things are afoot.

This kind of series production orders are most likely an integral piece for the management in constructing KebNi's revised financial targets. Delivery phase can be initiated after series volume production preparations have been finalized in H2 2023, but the first order would need to be placed well ahead of that, especially in light of the global component shortage and pressured supply chains. While the new targets will be announced in the autumn, it is more uncertain when the first order for serial production may come, but we expect this autumn too. Together these constitute the two most important triggers both for the share and for understanding what the future KebNi will look like.

Further upside potential once key triggers kick in

Until we get a better picture of the magnitude of the series volume orders, it is hard to estimate the pace of a future volume ramp-up, other than that we're likely to see heavier investments in production in the near term in order to capture higher volumes down the road. Until then, we expect the main impact from NLAW volume production to occur beyond our forecast horizon in 2024, meaning that we keep our topline forecast in 2022-2024 unchanged. After a doubling in the share price since spring, KebNi is now close to the low end of our fair value range of SEK 1.2-1.8 per share in 12-24 months, with a significant further upside potential once the two aforementioned key triggers kick in.

11

MSEK in new order from IAI

53

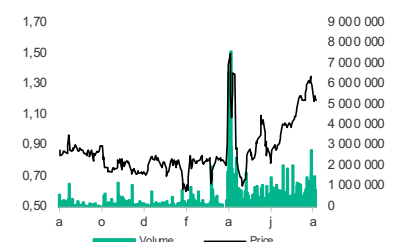
MSEK raised in Q2'22

+200

MSEK potential in UK alone

KebNi AB (publ)

Fair Value, SEK (12-24 m)	1,2 - 1,8
Current Price, SEK	1,09
Number of Shares (Millions)	215,7
Market Capitalisation (MSEK)	235
Net Debt (MSEK)	-31
Enterprise Value (MSEK)	204
Market	First North



MSEK	2020	2021	2022E	2023E	2024E
Sales	39	18	46	83	113
EBITDA	-26	-29	-21	-8	5
EBIT	-35	-38	-30	-17	-4
EPS Adjusted	-0,59	-0,39	-0,14	-0,07	-0,02
Sales Growth, %	10,7	-52,6	151,9	80,5	36,2
EBITDA Margin, %	-67,1	-161,2	-46,4	-10,0	4,2
EBIT Margin, %	-91,8	-209,6	-66,1	-20,8	-3,8
EV/Sales	1,91	3,28	4,71	3,29	2,47
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	58,7
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** - 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 to be revised

Against the background of the changed geopolitical situation in Europe and the received order from SAAB, KebNi sees a need to be able to act flexibly and adapt the business' direction and resources in the near term in order to be ready for delivery in 2023. As a consequence, the board of Kebni has chosen to prioritize these activities over the company's current financial goals and intends to define financial targets that are better suited to guide the long-term direction of the business. The financial targets that will be revised are the following:

- 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

While we await the announcement of the new targets, sometime during H2 2022, we see these previous targets as a reference point for our forecast.

Valuation

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%.

Overall, our calculations show support for a post-money fair value of SEK 1.2-1.8 per share on a horizon of 12-24 months, based on DCF and multiples.

DCF Key Assumptions

WACC	12%
Long-term EBITDA-margin	22%
Long-term CAPEX as share of sales	5%
Terminal Value EBITDA-multiple	15x
Total NPV, MSEK	407
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	2021	2022E	2023E	2024E
Sales	6,8	34,8	38,5	18,3	46,0	83,0	113,1
Operating Costs	-17,8	-39,7	-64,4	-47,7	-67,4	-91,3	-108,4
EBITDA	-11,0	-4,9	-25,9	-29,4	-21,4	-8,3	4,8
Depreciation	-1,1	-7,3	-9,5	-8,9	-9,0	-9,0	-9,0
Amortisation of Goodwill	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT	-12,1	-12,2	-35,4	-38,3	-30,4	-17,3	-4,3
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	-0,6	0,0	0,0
Pre-tax Result	-13,6	-15,5	-37,4	-37,9	-31,0	-17,3	-4,3
Tax	0,0	0,0	-0,1	0,1	0,0	0,0	0,0
Minority Interest	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net Result	-13,6	-15,5	-37,5	-37,8	-31,0	-17,3	-4,3

Capital Expenditure

	2018	2019	2020	2021	2022E	2023E	2024E
Capital Expenditure, Absolute	6,8	5,0	5,0	1,3	0,0	4,2	5,7
As a Pct of Sales	100,0	14,4	13,0	6,9	0,0	5,0	5,0
Depreciation Multiple	6,2	0,7	0,5	0,1	0,0	0,5	0,6

Key Ratios

Share Price: SEK 1,09

	2018	2019	2020	2021	2022E	2023E	2024E
Share Price at 31 Dec	7,80	4,25	1,33	0,77	1,09	1,09	1,09
Number of Shares (Millions)	7,3	12,8	63,4	97,5	215,7	247,9	247,9
Market Cap	57,0	54,4	84,1	75,1	235,1	270,2	270,2
Enterprise Value	68,1	46,3	73,5	59,9	216,5	272,8	279,4
EPS (Reported)	-1,86	-1,21	-0,59	-0,39	-0,14	-0,07	-0,02
EPS (Adjusted)	-1,86	-1,21	-0,59	-0,39	-0,14	-0,07	-0,02
CEPS	-1,15	-1,71	-0,11	-0,38	-0,21	-0,05	0,00
P/CEPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Book Value/Share	2,0	4,0	1,0	0,6	0,4	0,2	0,2
P/BV	3,8	1,1	1,3	1,2	2,5	4,6	4,9
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	4,7	3,3	2,5
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	58,7
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/E (Adjusted)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sales Growth, Y/Y (%)	n.a.	411,8	10,7	-52,6	151,9	80,5	36,2
EBIT Growth, Y/Y (%)	n.a.	0,6	190,6	8,2	-20,6	-43,0	-75,4
EPS Growth (Adjusted), Y/Y (%)	n.a.	-35,1	-51,0	-34,4	-62,9	-51,5	-75,4
EBITDA Margin (%)	-161,8	-14,0	-67,1	-161,2	-46,4	-10,0	4,2
EBIT Margin (%)	-177,9	-35,0	-91,8	-209,6	-66,1	-20,8	-3,8
Return on Equity (%)	n.a.	-47,2	-64,6	-59,5	-44,9	-25,6	-7,5
Tax Rate (%)	0,0	0,0	-0,2	0,1	0,0	0,0	0,0

Financial Position

	2018	2019	2020	2021	2022E	2023E	2024E
Interest-Bearing Net Debt	11	-8	-11	-15	-19	3	9
Net Debt/Equity	75,0	-15,9	-16,2	-24,5	-24,4	4,4	16,7
Equity Ratio	35,7	83,0	78,0	67,0	83,3	84,6	83,6
Net Debt/EBITDA	-1,0	1,7	0,4	0,5	0,9	-0,3	1,9

Source: Emergers, Company reports

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