



KebNi AB

New targets reflect high conviction in strong growth across the board in 2023-2027

Johan Widmark | 2022-11-24 08:40

The announcement of KebNi’s revised strategy and financial targets for 2023-2027 reflect a firm conviction in steady long term growth across all business segments. The key drivers are continued Saab orders in Inertial Sensing, a re-ignition of Satcom Maritime, a move into the low profile antenna market in Satcom Land and leveraging KebNi’s geographic presence in 20 prioritized countries. Our revised forecast is now around the midpoint of KebNi’s new revenue target of 150-200 MSEK in 2024 and 20-25% annual growth the following years. Along with KebNi’s EBITDA-margin target of 5-10% and positive cashflow in 2024, these datapoints represent a range of outcomes that correspond to a DCF derived value of SEK 1.4-3.0 per share.

Saab alone not enough to drive 7x revenue growth to 2025

KebNi’s new strategic plan centres around leveraging the company’s advanced technological platform within stabilisation, positioning and satellite communication. In the plan KebNi targets a revenue of 150 – 200 MSEK already in 2024, 20-25% annual growth in the following years, positive cashflow and an EBITDA-margin of 5-10% in 2024.

With the first firm series volume production order from Saab of 76 MSEK received in October, which the company will start delivering on in 2023, the plan reflects a high conviction about receiving follow-on orders from Saab to start executing on in the spring of 2024. But with the ramp-up with Saab reaching some 170 MSEK in annual revenues in a couple of years, Saab alone is not enough to drive the near 7x revenue growth we forecast to 2025 (compared to trailing 12 months). Instead, KebNi now plans for steep growth across the board.

Current cash position sufficient to avoid another raise

We find a couple of elements in the plan of particular interest. First, the ambition to drive revenue growth with a high degree of customer financed development, as the company has already done with Saab. This will enable the company to scale and continue investing in product development without raising new equity. Second, the ambition to reignite activity within Satcom Maritime, where we see ample growth opportunities to the east, with both IAI and an increased presence in Southeast Asia. For both Satcom Land and Maritime, Kebni is targeting the non-geostationary satellite market and also moves into the low profile antenna market expanding in the Coms-On-The-Move segment.

The ambition to make acquisitions mentioned in the strategic plan makes most sense if adding geographic reach, customer relationships or technology that bolts on well to existing portfolio. As for safety solutions for the scaffolding market, where we see significant long term potential, this will play a negligible role in driving growth to 2024.

Wide valuation range implied in new targets

Guided by the strategic plan we have raised our mid-term forecast to now expect sales in 2024 of 170 (113) MSEK, which is near the midpoint of the company’s own target. As for costs and profitability, it will be a stretch to grow at high double digit rates for years while maintaining a high gross margin and low OPEX growth. We would therefore need to see more of the company’s plan materialize before discounting the company’s target of an EBITDA of 5-10%.

Looking at implications, a future development in line with the high end of KebNi’s growth targets and a long term EBITDA-margin of 25% by 2027 and

150-200

MSEK revenue target in 2024

20-25%

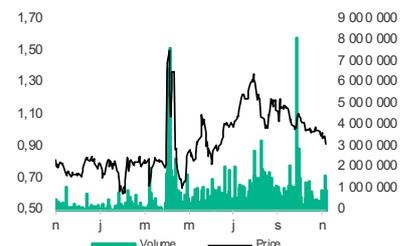
Revenue growth in 2025-2027

5-10%

EBITDA-margin target in 2024

KebNi AB (publ)

Fair Value, SEK (12-24 m)	1,4 - 2,5
Current Price, SEK	0,88
Number of Shares (Millions)	215,7
Market Capitalisation (MSEK)	190
Net Debt (MSEK)	-16
Enterprise Value (MSEK)	174
Market	First North



30% beyond, would imply a DCF-value (WACC 20%) of SEK 3.0 per share. The low end of KebNi's target and a 20% EBITDA in 2027 and 25% beyond, would on the other hand motivate a DCF-value of SEK 1.4. All in all, our own revised forecast and a combined peer multiple and DCF-approach now provide support for a fair value of SEK 1.4-2.5 (1.4-2.1) per share in 12-24m. We now view a follow-on orders from Saab and new Satcom orders as primary catalysts in the medium term.

MSEK	2020	2021	2022E	2023E	2024E
Sales	39	18	38	101	170
EBITDA	-26	-29	-23	2	6
EBIT	-35	-38	-32	-7	-2
EPS Adjusted	-0,59	-0,39	-0,14	-0,03	-0,01
Sales Growth, %	10,7	-52,6	110,1	163,2	68,3
EBITDA Margin, %	-67,1	-161,2	-59,4	1,6	3,8
EBIT Margin, %	-91,8	-209,6	-82,3	-7,1	-1,4
EV/Sales	1,91	3,28	4,62	2,16	1,35
EV/EBITDA	n.a.	n.a.	n.a.	132,5	35,5
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 and now also venturing into the Communications On The Move segment.

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.

With a faster pace in the development of the IMU to Saab's NLAW, KebNi has full focus to follow the shortened schedule as well as preparing the production. In addition, the proprietary off-the-shelf IMU product family SensAltion is being completed with full planned functionality, i.e. both IMU and INS (an IMU-based navigation system) functionality.

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 one such application, scaffolding monitoring. Please refer to our report entitled **Scaffolding focus in new vertical with great potential**. (https://www.emergers.se/kebni_c/).

Strategic plan and targets for 2023-2027

Against the background of the changed geopolitical situation in Europe and the received order from SAAB, KebNi has now updated its strategic plan and financial targets. The targets presented on 21st November, 2022 are the following:

- To reach a net revenue of 150-200 MSEK in 2024 and 20-25% annual growth the following years
- EBITDA-margin of 5-10% and positive cashflow in financial year 2024
- Grow Satcom more than the market during the 5-year period
- Inertial Sensing will outgrow SatCom in 2023

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. 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 20%.

Overall, our calculations show support for a post-money fair value of SEK 1.4-2.5 (1.4-2.1) per share on a horizon of 12-24 months, based on DCF and multiples.

DCF Key Assumptions

WACC	20%
Long-term EBITDA-margin	25%
Long-term CAPEX as share of sales	5%
Terminal Value EBITDA-multiple	15x
Total NPV, MSEK	303
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 and monetise its technology.

KebNi AB (publ)

Income Statement

MSEK	2018	2019	2020	2021	2022E	2023E	2024E
Sales	6,8	34,8	38,5	18,3	38,4	101,0	170,0
Operating Costs	-17,8	-39,7	-64,4	-47,7	-61,2	-99,4	-163,5
EBITDA	-11,0	-4,9	-25,9	-29,4	-22,8	1,7	6,5
Depreciation	-1,1	-7,3	-9,5	-8,9	-8,8	-8,8	-8,8
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	-31,6	-7,1	-2,3
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	0,5	0,0	0,0
Pre-tax Result	-13,6	-15,5	-37,4	-37,9	-31,1	-7,1	-2,3
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	-31,1	-7,1	-2,3

Capital Expenditure

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

Key Ratios

Share Price: SEK 0,88

	2018	2019	2020	2021	2022E	2023E	2024E
Share Price at 31 Dec	7,80	4,25	1,33	0,77	0,88	0,88	0,88
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	189,8	218,2	218,2
Enterprise Value	68,1	46,3	73,5	59,9	177,2	218,6	229,2
EPS (Reported)	-1,86	-1,21	-0,59	-0,39	-0,14	-0,03	-0,01
EPS (Adjusted)	-1,86	-1,21	-0,59	-0,39	-0,14	-0,03	-0,01
CEPS	-1,15	-1,71	-0,11	-0,38	-0,11	-0,01	-0,01
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	0,3	0,3
P/BV	3,8	1,1	1,3	1,2	2,0	3,1	3,2
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	4,6	2,2	1,3
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	132,5	35,5
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	110,1	163,2	68,3
EBIT Growth, Y/Y (%)	n.a.	0,6	190,6	8,2	-17,5	-77,4	-67,5
EPS Growth (Adjusted), Y/Y (%)	n.a.	-35,1	-51,0	-34,4	-62,9	-80,0	-67,5
EBITDA Margin (%)	-161,8	-14,0	-67,1	-161,2	-59,4	1,6	3,8
EBIT Margin (%)	-177,9	-35,0	-91,8	-209,6	-82,3	-7,1	-1,4
Return on Equity (%)	n.a.	-47,2	-64,6	-59,5	-44,9	-9,8	-3,4
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	-13	0	11
Net Debt/Equity	75,0	-15,9	-16,2	-24,5	-16,4	0,7	16,4
Equity Ratio	35,7	83,0	78,0	67,0	83,0	86,3	85,9
Net Debt/EBITDA	-1,0	1,7	0,4	0,5	0,6	0,3	1,7

Source: Emergers, Company reports

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