

KebNi AB

Massive order intake for Saab lowers risk in IMU ramp-up markedly

Johan Widmark | 2022-12-19 10:30

In the first half of December, KebNi’s single most important customer, defence company Saab has received two orders for its handheld antitank weapon NLAW, for 2.9 BN SEK and 900m MSEK, from the UK and Sweden respectively.

Being the supplier of IMUs for these units, this is great news for KebNi. We now expect to see follow-on orders on the 76 MSEK Saab order in October, soon. Most likely KebNi can look forward to delivering >4000 IMU units per year in 2023-2026 corresponding to around 130 MSEK in annual revenues from Saab alone.

While this is largely in line with our expectations, not least after KebNi’s recent strategy update in late November, it effectively lowers the risk in KebNi, which translates into a reduced discount rate (from 20% to 16%) in our DCF. This motivates a hike in our fair value to 1.7-2.8 (1.4-2.5) SEK per share in 12-24m.

Saab order intake likely to equal >4,000 IMU units per year

While Saab has only disclosed the order value, it is fair to assume that the 2.9 BN SEK order from the UK is to replace all the 10,000 NLAWs that the UK has sent to Ukraine. This would equal an NLAW unit price of SEK 290 kSEK. With an estimate of 30,000 SEK per IMU to each unit this would mean 300 MSEK in revenues for KebNi, in line with our previous estimates. Applying the same unit estimates for the 900 MSEK order from Sweden, with deliveries from Saab to the UK in 2023-2026 and to Sweden in 2024-2026, this totals some >4,000 units per year at full production, and annual revenues of >130 MSEK.

So far, KebNi has received an initial order for series production of 76 MSEK from Saab. But in light of Saab’s own order intake we expect follow-on orders to KebNi soon, in order to secure production, which is particularly an issue given the current lead times in global supply chains for this type of hardware.

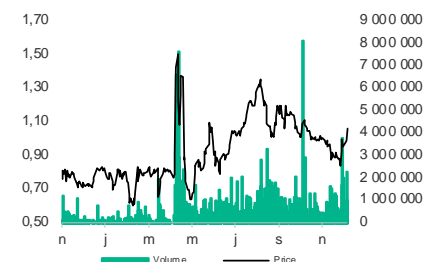
Maintain forecast of 7x revenue growth to 2025

While IMUs to Saab is a significant piece of KebNi’s new strategic roadmap, there are also other pieces that will leverage the company’s advanced technological platform within stabilisation, positioning and satellite communication to reach the targeted revenue of 150 – 200 MSEK already in 2024 and 20-25% annual growth in the following years, positive cashflow and an EBITDA-margin of 5-10% in 2024. For more on our view on the strategic plan, see our report [KEBNI: New targets reflect high conviction in strong growth across the board in 2023-2027](#).

While the news from Saab does not motivate a revision of our forecast, it lends further support to our sales forecast of 170 MSEK in 2024, which is near the midpoint of the company’s own target. That means lower risk for investors in KebNi, which translates into a reduced discount rate (from 20% to 16%) that in turn motivates a hike in our fair value to 1.7-2.8 (1.4-2.5) SEK per share in 12-24m. We now view follow-on orders from Saab and new Satcom orders as primary catalysts in the medium term, where the former should now quickly be drawing closer.

KebNi AB (publ)

Fair Value, SEK (12-24 m)	1,7 - 2,8
Current Price, SEK	1,06
Number of Shares (Millions)	215,7
Market Capitalisation (MSEK)	229
Net Debt (MSEK)	-16
Enterprise Value (MSEK)	212
Market	First North



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 SensAItion 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 1.7-2.8 (1.4-2.5) per share on a horizon of 12-24 months, based on DCF and multiples.

DCF Key Assumptions

WACC	16%
Long-term EBITDA-margin	25%
Long-term CAPEX as share of sales	5%
Terminal Value EBITDA-multiple	15x
Total NPV, MSEK	400
<u>NPV per share, SEK</u>	<u>1,9</u>

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 1,06

	2018	2019	2020	2021	2022E	2023E	2024E
Share Price at 31 Dec	7,80	4,25	1,33	0,77	1,06	1,06	1,06
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	228,6	262,8	262,8
Enterprise Value	68,1	46,3	73,5	59,9	216,0	263,3	273,8
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	2,4	3,8	3,9
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	5,6	2,6	1,6
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	159,6	42,4
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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