

KebNi AB

Great NLAW backdrop yet to translate to the KebNi share

Johan Widmark | 2023-02-27 08:00

With another NLAW order, from Finland of SEK 400m, Saab's delivery timeline support a revenue scenario for KebNi that exceeds its own revenue targets for 2024. Simultaneously, we find that capacity build-up has been costlier and near term SatCom momentum has been slower than we expected, weighing heavy on EBIT in Q4'22. Interestingly, Saab indicates an extremely bullish long term outlook for NLAW while the past year's revaluation of Saab has yet to translate to the KebNi share. Now financed throughout 2023, we find support for a hike of our fair value to SEK 1.9-2.9 (1.7-2.8) per share in 12-24m.

Increased costs and slower than expected SatCom in Q4'22

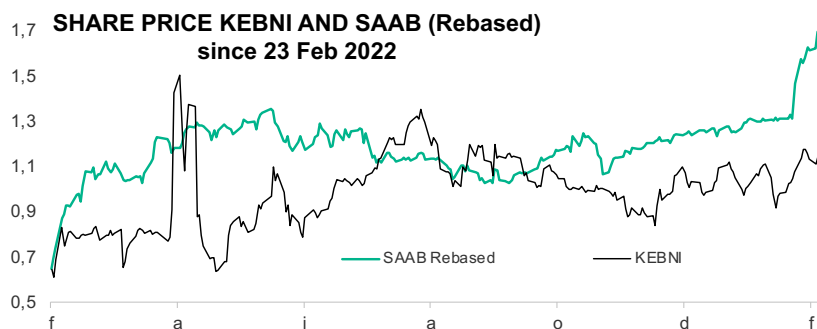
While Q4 did not deliver the pick-up in revenues that we had expected, primarily in the SatCom-segment, the activity and forthcoming ramp-up in Inertial Sensing continues to gain traction. Revenues amounted to SEK 5.4m in Q4'22 resulting in full year revenues of SEK 26m, compared to our forecast of SEK 38m. Costs increased towards the end of the year, mainly due to the establishment of the production lines in Karlskoga ahead of the large-scale Inertial Sensing production. EBIT was further hampered by write-downs of SEK 15m and another SEK 2.5m which was previously balanced in ongoing projects.

Additional Saab order and indications of further upside

As for NLAW, the backdrop for KebNi's IMU continues to improve, with Finland placing a SEK 400m order to Saab the other week, in addition to the SEK 2.9bn from the UK and SEK 900m from Sweden already in the order book. Interestingly, actual deliveries of the NLAWs to Finland in 2024, in addition to the order from Sweden and the UK, support a scenario where KebNi could exceed its SEK 150-200m revenue target range in 2024. But we see it as more likely with delays compared to the timeline communicated by Saab, but have hiked our forecast for 2024 to SEK 180m.

Also interesting to note is the recent Saab Q4 report conference call where CEO Micael Johansson stated that the ramp-up in NLAW production capacity is huge and that Saab will double production capacity 3x to 2025.

On the anniversary of the invasion of Ukraine, that triggered this renewed demand in NLAW, it is interesting to note that Saab (a diversified military equipment company) is up some +170% since before the war, while KebNi that already has received Saab-orders 2x its annual revenues before the invasion, is only up 75% since.

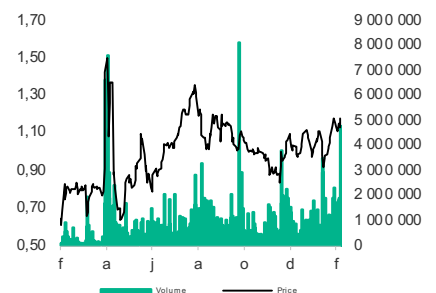


Maintain forecast of 7x revenue growth to 2025

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

KebNi AB (publ)

Fair Value, SEK (12-24 m)	1,9 - 2,9
Current Price, SEK	1,27
Number of Shares (Millions)	215,7
Market Capitalisation (MSEK)	273
Net Debt (MSEK)	-36
Enterprise Value (MSEK)	237
Market	First North



2024 and 20-25% annual growth in the following years, positive cashflow and an EBITDA-margin of 5-10% in 2024.

We now view follow-on orders from Saab and new Satcom orders as primary catalysts in the medium term, and find support for a fair value of SEK 1.9-2.9 (1.7-2.8) per share in 12-24m.

MSEK	2021	2022	2023E	2024E	2025E
Sales	18	26	101	180	216
EBITDA	-29	-39	2	11	31
EBIT	-38	-64	-23	-13	7
EPS Adjusted	-0,39	-0,30	-0,09	-0,05	0,02
Sales Growth, %	-52,6	43,9	285,5	77,7	20,0
EBITDA Margin, %	-161,2	-149,6	1,8	6,1	14,4
EBIT Margin, %	-209,6	-242,6	-22,4	-7,5	3,0
EV/Sales	3,28	7,74	2,85	1,65	1,38
EV/EBITDA	n.a.	n.a.	161,9	27,0	9,6
EV/EBIT	n.a.	n.a.	n.a.	n.a.	45,5
P/E	n.a.	n.a.	n.a.	n.a.	59,8

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

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](#).

NLAW

While Saab only discloses the order value for its NLAW orders, 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. Deliveries to the UK are expected in 2023-2026.

Applying the same unit estimates for the 900 MSEK order from Sweden, with deliveries from Saab to Sweden in 2024-2026, we estimate a total of 3,000 units at SEK 300k each, corresponding to SEK 90m in revenues to KebNi.

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.

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 16%.

Overall, our calculations show support for a post-money fair value of SEK 1.9-2.9 (1.7-2.8) 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	500
NPV per share, SEK	2,3

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	2022	2023E	2024E	2025E
Sales	6,8	34,8	38,5	18,3	26,3	101,3	180,0	216,0
Operating Costs	-17,8	-39,7	-64,4	-47,7	-65,6	-99,5	-169,1	-185,0
EBITDA	-11,0	-4,9	-25,9	-29,4	-39,3	1,8	11,0	31,0
Depreciation	-1,1	-7,3	-9,5	-8,9	-24,4	-24,4	-24,4	-24,4
Amortisation of Goodwill	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT	-12,1	-12,2	-35,4	-38,3	-63,7	-22,7	-13,5	6,6
Non-recurring Items	0,0	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	0,0
Net Financial Items	-1,5	-3,3	-2,1	0,4	-0,1	0,0	0,0	0,0
Pre-tax Result	-13,6	-15,5	-37,4	-37,9	-63,9	-22,7	-13,5	6,6
Tax	0,0	0,0	-0,1	0,1	0,0	0,0	0,0	-1,4
Minority Interest	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Net Result	-13,6	-15,5	-37,5	-37,8	-63,9	-22,7	-13,5	5,2

Capital Expenditure

	2018	2019	2020	2021	2022	2023E	2024E	2025E
Capital Expenditure, Absolute	6,8	5,0	5,0	1,3	0,0	5,1	9,0	10,8
As a Pct of Sales	100,0	14,4	13,0	6,9	0,0	5,0	5,0	5,0
Depreciation Multiple	6,2	0,7	0,5	0,1	0,0	0,2	0,4	0,4

Key Ratios

Share Price: SEK 1,27

	2018	2019	2020	2021	2022	2023E	2024E	2025E
Share Price at 31 Dec	7,80	4,25	1,33	0,77	1,00	1,27	1,27	1,27
Number of Shares (Millions)	7,3	12,8	63,4	97,5	215,7	246,5	246,5	246,5
Market Cap	57,0	54,4	84,1	75,1	214,8	311,8	311,8	311,8
Enterprise Value	68,1	46,3	73,5	59,9	203,5	289,1	296,1	298,9
EPS (Reported)	-1,86	-1,21	-0,59	-0,39	-0,30	-0,09	-0,05	0,02
EPS (Adjusted)	-1,86	-1,21	-0,59	-0,39	-0,30	-0,09	-0,05	0,02
CEPS	-1,15	-1,71	-0,11	-0,38	-0,17	-0,01	0,01	0,03
P/CEPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	159,9	38,7
Book Value/Share	2,0	4,0	1,0	0,6	0,2	0,1	0,0	0,1
P/BV	3,8	1,1	1,3	1,2	4,0	14,9	41,6	24,5
Dividend	0,00	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	0,0
Dividend Payout Ratio (%)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EV/Sales	10,0	1,3	1,9	3,3	7,7	2,9	1,6	1,4
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	161,9	27,0	9,6
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	45,5
P/E (Adjusted)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	59,8
Sales Growth, Y/Y (%)	n.a.	411,8	10,7	-52,6	43,9	285,5	77,7	20,0
EBIT Growth, Y/Y (%)	n.a.	0,6	190,6	8,2	66,5	-64,5	-40,5	-148,7
EPS Growth (Adjusted), Y/Y (%)	n.a.	-35,1	-51,0	-34,4	-23,7	-69,0	-40,5	-138,6
EBITDA Margin (%)	-161,8	-14,0	-67,1	-161,2	-149,6	1,8	6,1	14,4
EBIT Margin (%)	-177,9	-35,0	-91,8	-209,6	-242,6	-22,4	-7,5	3,0
Return on Equity (%)	n.a.	-47,2	-64,6	-59,5	-121,2	-70,1	-94,7	51,6
Tax Rate (%)	0,0	0,0	-0,2	0,1	0,0	0,0	0,0	20,6

Financial Position

	2018	2019	2020	2021	2022	2023E	2024E	2025E
Interest-Bearing Net Debt	11	-8	-11	-15	-11	-23	-16	-13
Net Debt/Equity	75,0	-15,9	-16,2	-24,5	-25,9	-108,4	-209,2	-101,8
Equity Ratio	35,7	83,0	78,0	67,0	68,9	34,7	16,0	24,3
Net Debt/EBITDA	-1,0	1,7	0,4	0,5	0,3	-12,7	-1,4	-0,4

Source: Emergers, Company reports

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