

KebNi AB

Broad support for long-term revenue target but cash an increasing concern

Johan Widmark | 2023-05-24 10:00

KebNi reported an 80% revenue growth in Q1'23, to SEK 10.9m, largely due to sales of satellite antennas to IAI. Despite a variety of activities in 2023, the deferral of follow-on orders from Saab for volume series produced IMUs has exerted pressure on the share price. But with production start for Saab only weeks away, this should provide a trigger for Saab to unleash the next phase. Cost increase in Q1 was slightly higher than we had anticipated, likely necessitating a replenishment of the current SEK 19.4m cash reserve within the coming six months. But with a strong operational momentum we see a shareholder loan, a bank loan, a directed issue or a rights issue all as plausible alternatives. Now we continue to find support for a fair value to SEK 1.9-2.9 per share in 12-24m, but keep an extra eye on financing and the next step with Saab.

Continues to build a foundation for the future

Q1 saw a broad range of activities, with both deliveries and orders of maritime satellite antennas to and from IAI, and an order for Satmission Drive-away antennas from a repeat Broadcasting customer in Poland. With a new Regional Head for APAC in Bangkok, launch of the joint venture ScaffSense (the world's first smart scaffolding alarm system for safer construction sites) and the start of serial production of IMUs to Saab's NLAW in Karlskoga just weeks away, KebNi continues to build the foundation for a strong operational momentum likely to last for years.

Cash rapidly rising on the agenda

During Q1'23, the exercise of warrants series TO2 strengthened KebNi's financials with SEK 23.4m after costs, and at the end of Q1'23, cash amounted to SEK 19.4m. But recent quarters have entailed higher cost increases than we had anticipated. While these will largely be absorbed by the hike in revenues that we expect from the start of deliveries to Saab, our model suggests that KebNi risks running low on cash already in the coming three to six months, rather than making it to 2024. But with plenty of progress to show for, there are move avenues available for financing than just a rights issue. And should the Saab follow-on order come sooner rather than later, some investor-friendly loan financing could be an option.

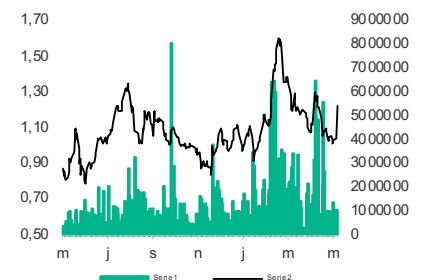
Considering that Saab has received order for NLAW from Finland (SEK 400m), UK (SEK 2.9bn) and Sweden (SEK 900m) with a delivery schedule which implies that KebNi would exceed its SEK 150-200m revenue target range in 2024, follow-on orders should only be a matter of time.

Forecast of 7x revenue growth in 2022 to 2025

While IMUs to Saab is a significant piece of KebNi's 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 SEK 150 – 200m already in 2024, 20-25% annual growth in the following years, positive cashflow and an EBITDA-margin of 5-10% in 2024. We continue to see 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 per share in 12-24m.

KebNi AB (publ)

Fair Value, SEK (12-24 m)	1,9 - 2,9
Current Price, SEK	1,23
Number of Shares (Millions)	215,7
Market Capitalisation (MSEK)	264
Net Debt (MSEK)	-19
Enterprise Value (MSEK)	245
Market	First North



MSEK	2021	2022	2023E	2024E	2025E
Sales	18	26	101	180	216
EBITDA	-29	-39	-20	11	31
EBIT	-38	-64	-30	-3	12
EPS Adjusted	-0,39	-0,30	-0,12	-0,01	0,04
Sales Growth, %	-52,6	43,9	285,5	77,7	20,0
EBITDA Margin, %	-161,2	-149,6	-19,4	6,1	14,4
EBIT Margin, %	-209,6	-242,6	-29,2	-1,6	5,4
EV/Sales	3,28	7,74	2,83	1,63	1,33
EV/EBITDA	n.a.	n.a.	n.a.	26,8	9,2
EV/EBIT	n.a.	n.a.	n.a.	n.a.	24,4
P/E	n.a.	n.a.	n.a.	n.a.	32,4

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 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
<u>NPV per share, SEK</u>	<u>2,3</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	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	-120,9	-169,1	-184,9
EBITDA	-11,0	-4,9	-25,9	-29,4	-39,3	-19,6	11,0	31,1
Depreciation	-1,1	-7,3	-9,5	-8,9	-24,4	-9,9	-13,8	-19,4
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	-29,5	-2,9	11,7
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	-0,1	0,0	0,0
Pre-tax Result	-13,6	-15,5	-37,4	-37,9	-63,9	-29,6	-2,9	11,7
Tax	0,0	0,0	-0,1	0,1	0,0	0,0	0,0	-2,4
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	-29,6	-2,9	9,3

Capital Expenditure

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

Key Ratios

Share Price: SEK 1,23

	2018	2019	2020	2021	2022	2023E	2024E	2025E
Share Price at 31 Dec	7,80	4,25	1,33	0,77	1,00	1,23	1,23	1,23
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	302,2	302,2	302,2
Enterprise Value	68,1	46,3	73,5	59,9	203,5	286,7	293,8	286,7
EPS (Reported)	-1,86	-1,21	-0,59	-0,39	-0,30	-0,12	-0,01	0,04
EPS (Adjusted)	-1,86	-1,21	-0,59	-0,39	-0,30	-0,12	-0,01	0,04
CEPS	-1,15	-1,71	-0,11	-0,38	-0,17	-0,09	0,01	0,07
P/CEPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	157,7	16,9
Book Value/Share	2,0	4,0	1,0	0,6	0,2	0,2	0,1	0,2
P/BV	3,8	1,1	1,3	1,2	4,0	8,1	8,8	6,9
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	2,8	1,6	1,3
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	26,8	9,2
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	24,4
P/E (Adjusted)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	32,4
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	-53,7	-90,2	-506,6
EPS Growth (Adjusted), Y/Y (%)	n.a.	-35,1	-51,0	-34,4	-23,7	-59,4	-90,3	-423,0
EBITDA Margin (%)	-161,8	-14,0	-67,1	-161,2	-149,6	-19,4	6,1	14,4
EBIT Margin (%)	-177,9	-35,0	-91,8	-209,6	-242,6	-29,2	-1,6	5,4
Return on Equity (%)	n.a.	-47,2	-64,6	-59,5	-121,2	-73,3	-8,2	23,8
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	-16	-8	-16
Net Debt/Equity	75,0	-15,9	-16,2	-24,5	-25,9	-41,7	-24,6	-35,6
Equity Ratio	35,7	83,0	78,0	67,0	68,9	60,0	58,0	63,7
Net Debt/EBITDA	-1,0	1,7	0,4	0,5	0,3	0,8	-0,8	-0,5

Source: Emergers, Company reports

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