

KebNi AB

Financing and second volume order clear path for sales surge in 2023-2026

Johan Widmark | 2023-08-10 14:00

Late Wednesday evening KebNi announced that it has raised SEK 29.6m from a group of professional investors, including the two largest of the existing shareholders, and 19 other investors. The price of SEK 1.20 per share represents an 8% discount, making it a quick and cost effective way to secure financing. Combined with the second volume order for IMUs from Saab in June, the path is now cleared to materialise the ramp-up in sales we're projecting in 2023-2026. We now find support for a fair value to SEK 1.7-2.7 (1.9-2.9) per share in 12-24m, with Saab volume orders feeding through to sales growth and eventually positive cash flow as the primary catalyst for the share.

Financing issue now resolved

The construction of the production facility for IMUs in Karlskoga and other expansion initiatives during winter and spring, resulted in faster than expected cost increases that put the spotlight on financing earlier in summer. With a directed share issue of 24.7m new B shares at a price of SEK 1.20 SEK per share, bringing in SEK 29.6 before costs, this issue has now been resolved. Investors include renowned names such as Tedde Jeansson and Erik Mitteregger, and existing investor Max Mitteregger.

Second volume order an important confirmation

With the production start in Karlskoga earlier this summer, we expect to see the first material impact from Saab-orders on reported sales numbers in Q3'23 at the earliest. However, from an investor perspective, the second volume order in June was a more important piece of the puzzle as it provided affirmation that Saab's pipeline of orders for NLAW (from Finland of SEK 400m, UK of SEK 2.9bn and Sweden of SEK 900m) will also translate to KebNi. Furthermore, in order for Saab to meet its announced delivery schedule, this implies that KebNi would exceed its SEK 150-200m revenue target range in 2024, and that further follow-on orders should only be a matter of time.

Forecast of 7x revenue growth in 2022 to 2025

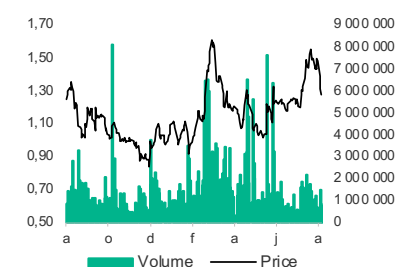
Having cleared both the issue with financing and follow-on volume orders from Saab, we now look forward to news about the international SatCom expansion, in Asia, the reception from customer of SensAItion and development of the JV ScaffoldSense (the world's first smart scaffolding alarm system for safer construction sites). However, the primary catalyst for the share is likely to be the Saab volume orders feeding thorough to a significant increase in sales, subsequent earnings and positive cash flow in 2023-2026. Adjusting for the 9% dilution from the directed issue, we now find support for a fair value of SEK 1.7-2.7 (1.9-2.9) per share in 12-24m.

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	-0,11	-0,01	0,03
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	3,18	1,83	1,46
EV/EBITDA	n.a.	n.a.	n.a.	30,0	10,1
EV/EBIT	n.a.	n.a.	n.a.	n.a.	26,8
P/E	n.a.	n.a.	n.a.	n.a.	38,1

Source: Emergers

KebNi AB (publ)

Fair Value, SEK (12-24 m)	1,7 - 2,7
Current Price, SEK	1,31
Number of Shares (Millions)	271,2
Market Capitalisation (MSEK)	355
Net Debt (MSEK)	-33
Enterprise Value (MSEK)	322
Market	First North



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 two orders for series production of SEK 76m and SEK 79.8m respectively from Saab.

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 1.7-2.7 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	479
<u>NPV per share, SEK</u>	<u>1,8</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 1,31

	2018	2019	2020	2021	2022	2023E	2024E	2025E
Share Price at 31 Dec	7,80	4,25	1,33	0,77	1,00	1,31	1,31	1,31
Number of Shares (Millions)	7,3	12,8	63,4	97,5	215,7	271,2	271,2	271,2
Market Cap	57,0	54,4	84,1	75,1	214,8	355,2	355,2	355,2
Enterprise Value	68,1	46,3	73,5	59,9	203,5	321,8	328,8	315,1
EPS (Reported)	-1,86	-1,21	-0,59	-0,39	-0,30	-0,11	-0,01	0,03
EPS (Adjusted)	-1,86	-1,21	-0,59	-0,39	-0,30	-0,11	-0,01	0,03
CEPS	-1,15	-1,71	-0,11	-0,38	-0,17	-0,08	0,01	0,07
P/CEPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	185,4	19,9
Book Value/Share	2,0	4,0	1,0	0,6	0,2	0,1	0,1	0,2
P/BV	3,8	1,1	1,3	1,2	4,0	9,5	10,3	8,1
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	3,2	1,8	1,5
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	30,0	10,1
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	26,8
P/E (Adjusted)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	38,1
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	-63,1	-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	-33	-26	-40
Net Debt/Equity	75,0	-15,9	-16,2	-24,5	-25,9	-89,7	-76,7	-91,8
Equity Ratio	35,7	83,0	78,0	67,0	68,9	46,6	44,6	50,5
Net Debt/EBITDA	-1,0	1,7	0,4	0,5	0,3	1,7	-2,4	-1,3

Source: Emergers, Company reports

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