

KebNi AB

Soft Q2 ahead of ramp-up in H2'23-2026

Johan Widmark | 2023-08-25 08:00

Sales in Q2'23 of SEK 7.4m were softer than we expected. While we are optimistic about a significant increase in sales in H2'23 driven by the deliveries to Saab initiated in August, the revenues to date and the remaining time in the year lead us to revise our FY'23 forecast from SEK 101m to SEK 85m. With the second volume order from Saab and the recent investor-friendly capital raise, we maintain our forecast of a steep ramp-up in sales in 2024-2026. We continue to find support for a fair value to SEK 1.7-2.7 per share, with Saab volume orders feeding through to sales growth and eventually positive cash flow as the primary catalyst for the share.

An eventful summer

Sales in Q2'23 of SEK 7.4m consisted mainly of deliveries to IAI, Saab and a recurring Satcom-customer in Poland. With the production start in Karlskoga earlier this summer, and first deliveries in August, we expect to see the first material impact from Saab-orders on reported sales numbers in Q3'23 at the earliest. Combined with the SEK 18.3m in revenues to date however, we've lowered our full year forecast to SEK 85m (101m). With slightly lower than expected costs in Q2, we now expect an EBITDA loss of SEK -22m (-20m) in 2023, while we maintain our SEK 3m in EBITDA forecast for 2024. Besides the activities for Saab, Kebni received orders for Satcom equipment of SEK 6m from Israeli IAI and concluded its verification of the SensAltion, setting it up for series production.

Financing issue and second volume order

Earlier in August, KebNi conducted 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, effectively resolving the financing issue that has put somewhat of a blanket on the share. From an investor perspective, the second volume order of SEK 80m in June was another 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. In order to meet Saab's communicated schedule to their customers, our calculation show that KebNi would exceed its SEK 150-200m revenue target range in 2024, meaning that further follow-on orders should only be a matter of time.

Saab orders converting to sales the primary catalyst

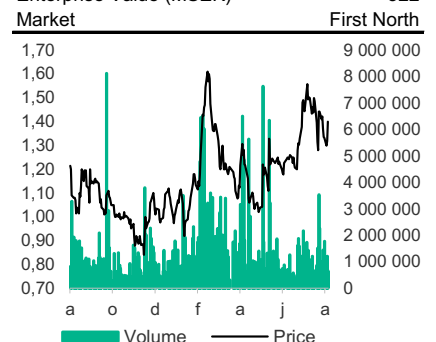
Having resolved the questions about follow-on orders from Saab as well as the future financing, we now look forward to signs of a steep ramp-up of deliveries in Q3, more activities within SatCom and with SensAltion, as well as progress with the JV ScaffoldSense (the world's first smart scaffolding alarm system for safer construction sites). We now find support for a fair value of SEK 1.7-2.7 per share in the next 12-24 months, with Saab volume orders feeding through to a significant increase in sales, enhanced earnings, and positive cash flow from 2024 to 2026, as the primary catalyst.

MSEK	2021	2022	2023E	2024E	2025E
Sales	18	26	85	180	216
EBITDA	-29	-39	-22	11	31
EBIT	-38	-64	-31	-3	12
EPS Adjusted	-0,39	-0,30	-0,11	-0,01	0,04
Sales Growth, %	-52,6	43,9	223,5	111,8	20,0
EBITDA Margin, %	-161,2	-149,6	-25,4	6,1	14,4
EBIT Margin, %	-209,6	-242,6	-36,8	-1,5	5,6
EV/Sales	3,28	7,74	3,96	1,91	1,53
EV/EBITDA	n.a.	n.a.	n.a.	31,4	10,6
EV/EBIT	n.a.	n.a.	n.a.	n.a.	27,4
P/E	n.a.	n.a.	n.a.	n.a.	37,9

Source: Emergers

KebNi AB (publ)

Fair Value, SEK (12-24 m)	1,7 - 2,7
Current Price, SEK	1,34
Number of Shares (Millions)	271,2
Market Capitalisation (MSEK)	363
Net Debt (MSEK)	-41
Enterprise Value (MSEK)	322



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	22%
Long-term CAPEX as share of sales	4%
Terminal Value EBITDA-multiple	15x
Total NPV, MSEK	513
NPV per share, SEK	1,9

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.

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Income Statement

MSEK	2018	2019	2020	2021	2022	2023E	2024E	2025E
Sales	6,8	34,8	38,5	18,3	26,3	85,0	180,0	216,0
Operating Costs	-17,8	-39,7	-64,4	-47,7	-65,6	-106,6	-169,1	-184,9
EBITDA	-11,0	-4,9	-25,9	-29,4	-39,3	-21,6	11,0	31,1
Depreciation	-1,1	-7,3	-9,5	-8,9	-24,4	-9,7	-13,6	-19,1
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	-31,3	-2,7	12,0
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	0,6	0,0	0,0
Pre-tax Result	-13,6	-15,5	-37,4	-37,9	-63,9	-30,7	-2,7	12,0
Tax	0,0	0,0	-0,1	0,1	0,0	0,0	0,0	-2,5
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	-30,7	-2,7	9,6

Capital Expenditure

	2018	2019	2020	2021	2022	2023E	2024E	2025E
Capital Expenditure, Absolute	6,8	5,0	5,0	1,3	0,0	12,5	9,0	10,8
As a Pct of Sales	100,0	14,4	13,0	6,9	0,0	14,7	5,0	5,0
Depreciation Multiple	6,2	0,7	0,5	0,1	0,0	1,3	0,7	0,6

Key Ratios

Share Price: SEK 1,34

	2018	2019	2020	2021	2022	2023E	2024E	2025E
Share Price at 31 Dec	7,80	4,25	1,33	0,77	1,00	1,34	1,34	1,34
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	362,8	362,8	362,8
Enterprise Value	68,1	46,3	73,5	59,9	203,5	337,0	344,1	330,4
EPS (Reported)	-1,86	-1,21	-0,59	-0,39	-0,30	-0,11	-0,01	0,04
EPS (Adjusted)	-1,86	-1,21	-0,59	-0,39	-0,30	-0,11	-0,01	0,04
CEPS	-1,15	-1,71	-0,11	-0,38	-0,17	-0,07	0,01	0,07
P/CEPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	189,4	20,4
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	10,0	10,8	8,4
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	4,0	1,9	1,5
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	31,4	10,6
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	27,4
P/E (Adjusted)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	37,9
Sales Growth, Y/Y (%)	n.a.	411,8	10,7	-52,6	43,9	223,5	111,8	20,0
EBIT Growth, Y/Y (%)	n.a.	0,6	190,6	8,2	66,5	-50,9	-91,5	-550,9
EPS Growth (Adjusted), Y/Y (%)	n.a.	-35,1	-51,0	-34,4	-23,7	-61,8	-91,3	-458,3
EBITDA Margin (%)	-161,8	-14,0	-67,1	-161,2	-149,6	-25,4	6,1	14,4
EBIT Margin (%)	-177,9	-35,0	-91,8	-209,6	-242,6	-36,8	-1,5	5,6
Return on Equity (%)	n.a.	-47,2	-64,6	-59,5	-121,2	-76,8	-7,7	24,9
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	-26	-19	-32
Net Debt/Equity	75,0	-15,9	-16,2	-24,5	-25,9	-71,1	-55,7	-75,1
Equity Ratio	35,7	83,0	78,0	67,0	68,9	46,9	44,9	51,2
Net Debt/EBITDA	-1,0	1,7	0,4	0,5	0,3	1,2	-1,7	-1,0

Source: Emergers, Company reports

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