

Equity Research | KEBNI - Site visit provided clarity on scale-up and insight into ScaffSense venture

Our site visit to KebNi's new production facility in Karlskoga not only showed production up and running, but also how it can scale up with increased volumes. We now look forward to the numbers from the first Saab shipments in Q3 (on Oct 27, 2023), hopefully providing an indication of the pace of the ramp-up in Q4'23 and the cost outlook going forward. After the second volume order from Saab and the strengthened cash position following the recent capital raise, we see strong support for a steep ramp-up in sales in 2024-2026, which provide support for our fair value of SEK 1.7-2.7 per share. In addition, the JV scaffolding venture, offering a smart alarm system to prevent scaffolding collapses and construction halts, is now taking shape, with the first pilots in H2'23 and potential initiation of commercialization in 2024.

Site visit provided confirmation of expected ramp-up

Our recent site visit to KebNi's new production facility in Karlskoga confirmed that production of IMUs for Saab's NLAW is now underway. The visit also offered insights into how KebNi can scale production with increased volumes, and what costs that would involve, which would further strengthen the gross margin. With current bottlenecks, the investments made in production to date support a production rate of 5,000-6,000 units per year including both other Inertial Sensing-products and the Saab-IMU. This reinforces our expectation of a steep ramp-up in sales in 2024. While we see some risk of a slight downgrade of our SEK 85 million sales forecast for 2023, we are less concerned about the ramp-up we're expecting in 2024.

ScaffSense taking shape with possible launch in 2024

Alongside the core business, Kebni's Joint Venture with Solideq (a EUR 30m revenue seller of scaffolding), ScaffSense, is now moving ahead aiming to complete at least one big-scale pilot project before year end 2023, and a potential market launch already in 2024. ScaffSense hopes to provide the world's first smart scaffolding alarm system, designed to make construction sites safer and more profitable. Only in the US, some 50 people die each year as a consequence of unsafe scaffolding, not to mention the billions of dollars in costs for the construction industry every year. ScaffSense provides a sensor-based safety alarm system that combines Kebni's stabilization technology with Solideq's industry and market insights, to monitor scaffolding structures in real-time, identify potential safety risks and alert when it finds issues.

The scaffolding construction market amounts to USD 2.4bn in the EU and USD 7.5bn globally, according to IndexBox and 360 Research Reports. ScaffSense however has yet to verify product-market-fit, but it recently presented at the leading scaffolding fair, ScaffPoint in Kista (Oct 11-12), and we hope to see some positive news flow on the back of that.

Saab volumes 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 the numbers from the first deliveries in Q3, more activities within SatCom and with SensAltion, as well as progress with the JV ScaffSense. We continue to find support for a fair value of SEK 1.7-2.7 per share, 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.

Read the full report here: https://www.emergers.se/kebni_v/

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