

KEBNI: On track to scale up in 2023

KebNi's Q3-report provided some further insight into the progress made in setting up volume series production within Inertial Sensing, where Saab, that placed a first SEK 76m volume order in October, is the primary but not the only long term growth driver. While KebNi reported a busy quarter, a softer than expected revenue in Q3 motivates a slight downgrade of our full year revenue forecast to SEK 38 (46)m. The long awaited announcement of KebNi's revised financial targets is now drawing closer, which we expect will provide support to our expectation of a sharp revenue increase in 2023. This, along with follow-on orders from Saab and new satcom deals, we see as the primary catalysts for the share, and find continued support for a fair value of SEK 1.4-2.1 in 12-24m.

Adjustments stemming from Q2 weighing Q3

Top line sales in Q3 amounted to SEK 9.9m, but was affected by an adjustment from Q2 of SEK -2.3 m resulting SEK 7.6m in reported revenues. Costs were also affected by SEK -3.4m from Q2. We have now adjusted our expectations for full year revenue to SEK 38 (46) m and expect a full year EBIT of -32 (-30) m.

Long term NLAW potential SEK 0,7 per share

With the SEK 76m volume order for IMUs from Saab placed in October, KebNi has now entered the next level of monetising its IMU technology. Work to increase capacity to series volume production is underway with deliveries scheduled to start in mid 2023 and last into 2024. By then we expect KebNi to have received follow-on orders. The first order received in October only scratches the surface of the potential with NLAW, as replacing only the units the UK has sent to Ukraine represent a potential for KebNi of over SEK 300m alone. Provided that KebNi receives follow-on orders we estimate that production at full capacity would correspond to revenues of around SEK 180m annually, after 2024. A rough assumption of a total of 25,000 new NLAW units over the coming 8 years, 50% gross margin and a discount factor of 20% would correspond to a NPV for just the 'IMUs for NLAW'-business of SEK 0,7 per share. The volume component is however somewhat binary and not something we include fully in our forecast and valuation just yet.

New financial targets next catalyst for the share

We also continue to expect a pick-up in international orders in Satmission as well as other Inertial Sensing deals, and now expect a 20% growth rate for the non-Saab related business in 2023. Next major milestone is the announcement of KebNi's revised financial targets later which we expect later in November. This will hopefully offer some welcome substance to our forecast for 2023 and beyond. All in all, our combined peer multiple and DCF-approach (WACC 20%) provide support for a fair value of SEK 1.4-2.1 per share in 12-24m with the upcoming announcement of new financial targets and follow-on orders from Saab as primary triggers.



Read the full report on KebNi here https://www.emergers.se/kebni_m/

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