KebNi (former ASTG)

Sector: Technology

Rebranded KebNi heading for Nasdaq

Redeye's view on the share remains positive following recent events. The Q2-report showed higher sales but also higher costs than we anticipated. Changes to our estimates are rather limited and our Base case fair value still indicates some upside potential.

This research report includes our view on Kebnis Q2-report and other recent events, as well as an updated version of our initiating report published in June, 2020.

Q2: higher sales, and costs

Sales of SEK 19m is 70% higher Y/Y and by far the highest quarterly sales to date. Newly acquired Satmission is basically making up for the delta with SEK 7m in sales, which is more than we expected. The bulk of sales (excl. Satmission) relates to deliveries of maritime antennas to Israel. Costs were also higher than we anticipated, while EBITDA excluding one-off items was still positive (SEK 0.9m) for the fourth consecutive quarter.

Kebni reported orders received of SEK 22.3m in Q2. This includes the recently announced frame agreement with SAAB Dynamics of SEK 10.8m. Also, Satmission has announced around SEK 9m in orders. Hence, the remaining amount is a rather modest SEK 2-3m.

Rebranded KebNi moving to Nasdaq First North

The rebranding of ASTG to KebNi makes good sense in the light of the new growth plan launched last year. The business divisions are also rebranded in line with the new name. Moreover, Kebni is in the process of changing the listing of its shares, from Nordic SME to Nasdaq First North. Hopefully by the end of August. Another highlight in the quarter was the announcement of SAAB Dynamics being an official client for the inertial sensing business. By all means, this was no major surprise, but it is certainly important and supportive to be able to display SAAB as a customer reference.

Forecasts and valuation

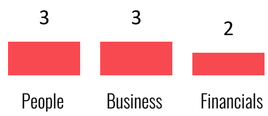
Our long-term view is intact and our estimates virtually unchanged. The fair value range is quite wide: SEK 1.5-4.8, due to great growth prospects but also considerable uncertainties. Our Base case of SEK 2.8 per share still offers some potential from current levels.

KEY FINANCIALS (SEKm)	2018	2019	2020E	2021E	2022E	2023E
Net sales	7	35	53	53	75	112
EBITDA	-11	-5	-7	-8	3	15
EBIT	-12	-12	-15	-15	-5	7
EPS (adj.)	-1.9	-0.6	-0.5	-0.5	-0.2	0.1
EV/Sales	1.6	-0.4	1.3	1.6	1.3	0.9
EV/EBITDA	-1.0	2.8	-9.2	-11.1	36.5	6.9
EV/EBIT	-0.9	1.1	-4.7	-5.6	-20.0	15.1
P/E	0.0	0.0	-4.5	-4.4	-10.6	16.1

FAIR VALUE RANGE

BEAR	BASE	BULL
1.5	**2.8**	4.8

REDEYE RATING



KEY STATS

Ticker	KEBNIB.NGM
Market	NGM-MTF
Share Price (SEK)	2.2
Market Cap (MSEK)	72
Net Debt 20E (MSEK)	4
Free Float	85 %
Avg. daily volume ('000)	480

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High-lights in Q2

Kebni: Actual vs. expected

(SEKm)	Q2'19	Q2' 20 Actual	Q2'20E	Diff
Net sales	10.9	18.8	16.0	18%
Whereof Satmission	-	7.2	3.0	140%
EBITDA	-1.5	-0.3	-0.8	n.m.
EBITDA, adjusted *	-1.5	0.9	-0.8	n.m.
EBIT	-2.3	-2.1	-2.6	n.m.
Sales growth Y/Y	506%	72%	47%	
EBITDA margin *	neg	4.8%	neg	

* Excluding one-off items in Q2-20 of SEK -1.2m.

Source: Kebni, Redeye Research

As mentioned above, Satmission sales were higher than expected causing us to raise our full year sales forecast for the business area as well as the group. The Opex run-rate seems to be higher than we anticipated. And since Kebni is growing its organization, it's probably fair to assume that Opex will continue up. Hence, on balance we have lowered our earnings estimates for 2020-21 somewhat. We expect substantially lower sales and earnings in H2-20 compared to H1. The obvious reason is that deliveries of maritime antennas to Israel will be much lower. Our assessment is that the remaining amount of this order is around SEK 6-8m.

The financial position is in our view quite weak. Net interest bearing debt was only SEK 3m by the end of Q2. But with continued negative cash flows in the second half of 2020, which we expect, the debt will increase. We cannot rule out the need for another rights issue before year-end.

Major events:

- Brand new brand: KebNi. ASTG changed its name and brand to KebNi (Kinetic Engineering By Nordic Innovation).
- Moving to Nasdaq. Kebni is in the process of transferring the listing of its shares from Nordic SME to Nasdaq First North. Hopefully by the end of August, but still subject to final approval from Nasdaq.
- SAAB Dynamics signs framework agreement of SEK 10.8m with Kebni Inertial Sensing. The contract covers the next 24 months of development of the NLAW anti-tank weapon system. If all goes to plan, which we expect, this will be followed by industrialization and a commercial phase.
- Sales agents in India and North America. Kebni is expanding its sales organization to India and North America by signing up sales agents with a background from the military.
- Hiring new CFO. Viveka Hiort af Ornäs was hired as new CFO. The CFO duties were up until now performed by an external accounting firm. An inhouse CFO is in our view certainly required, given the company's ambitious growth plans.

Down below is an updated version of Redeyes initiating report, published in June 2020. Some minor changes have been made in our financial forecasts. Also, some of the other sections have been updated to reflect recent events, primarily the new company name and branding.

Contents

Investment case

Kebni is a small high-tech company in the SatCom and IMU markets. SatCom is providing stabilized antenna systems for satellite communication. Inertial Measurement Units (IMU's) are used to determine movement and position of an object. The IMU's are used in the SatCom systems but are also sold to several other customers in various industry segments.

A bumpy ride

The company's history has been a rather bumpy ride. Some +10 years of development and up until 2019, limited sales. Kebni has been living hand to mouth with recurring rights issues and bridge financing. Also, in terms of strategic direction the company has been wandering and shifting focus a few times. During the last couple of years, the limited resources have mainly been focused on delivering a large contract (~USD 7m) of satellite antennas to Israeli Aerospace Industries (IAI), which they have done successfully. This is very promising as it confirms the quality of Kebnis flagship product and serves as an excellent reference in the market. IAI is a very demanding customer.

IAI is an excellent reference

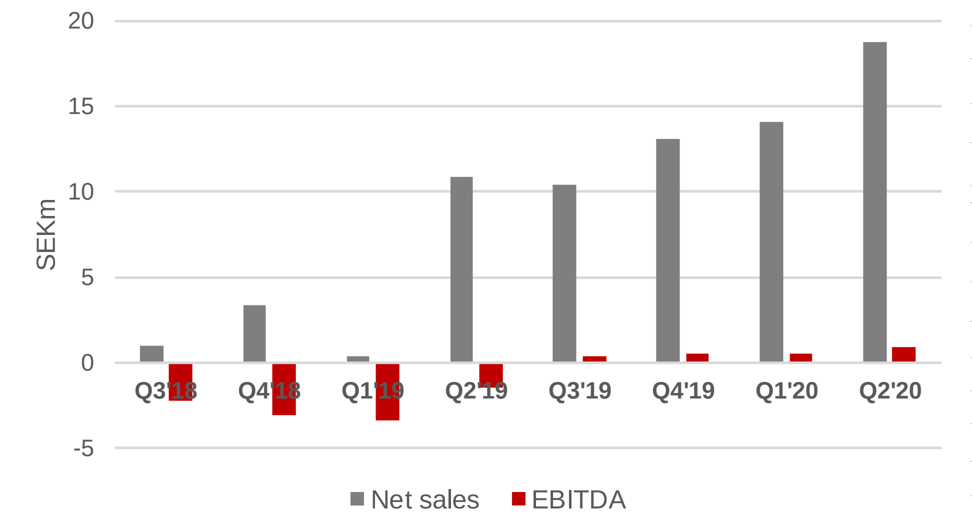
New management, new hope

During the last year, Kebni has made significant improvements in some respects. 2019 appears to be somewhat of a turning point with significant deliveries to IAI. This is encouraging and we are quite hopeful that the new management will be able to execute on their ambitious plan. However, there are still several important steps that need to be confirmed before we are confident that Kebni will be successful from a commercial point of view. More firm orders are the best indicator that the company is on the right track. Larger business deals normally have lead times of at least one year and the company has limited recurring revenues. They need to level up significantly in terms of business-flow and sales before they will reach sustainable profitability.

2019 lift-off, or at least a major turning point

In 2019, Kebni started serial deliveries of antenna systems to IAI in Israel. Revenues picked-up significantly in Q2-19 and since Q3, the company is showing positive EBITDA, for the first time ever. The current orderbook will however soon be depleted and sales will probably abate during the second half of this year.

Net sales & EBITDA (SEKm)



Source: Kebni, Redeye Research

New growth strategy

In the fall of last year, the newly appointed CEO Carsten Drachmann presented a new expansion strategy. This is based on i) Growing sales of the current product portfolio. ii) Diversify technology and product portfolio. iii) Acquire new businesses to leverage existing technology. The vis ion is to create a new major Nordic company, within satellite communication and technologies for stabilization and movement, by year 2025.

New strategy makes sense

and Kebni has started executing on the plan

We believe the new strategy makes a lot of sense and recognize that there is great potential to build on Kebni's current technology. But the company does not have a war chest and we can quite easily conclude that this expansion will require additional funding. Particularly when it comes to the M&A part of the growth strategy. We expect to see more rights issues in the coming years. So far in 2020, Kebni has made three directed rights issues to finance two acquisitions. So, they have certainly started to execute on the plan. As far as we can tell, management seems well equipped and committed to the task. The Board of Directors also appear to be a good mix with in-depth knowledge in relevant business segments and with a broad experience. When it comes to ownership, we would have liked to see more in terms of major shareholders with deep pockets and long-term commitment to support the new growth strategy.

Valuation

Kebni has, no doubt, taken the first few steps in the right direction. However, at this point it is still very difficult to predict how well the company will execute on the new growth plan in the coming years. As a result, our fair value range is wide: SEK 1.5-4.8 per share. We are quite optimistic about Kebni's future prospects, but considering the amount of uncertainty, we are a bit cautious in our forecasts and assumptions for Base case valuation, which indicates a fair value around SEK 2.8 per share.

Key Catalysts

- More maritime VSAT business from government procurements.
- Progress in the IMU development project with SAAB Dynamics.
- Other substantial orders for IMU's or Satmission's antenna systems.
- COTM is about to launch their first products. Firm orders, maybe by the end of this year, would prove the case.

Counter Thesis

In general, the lead times are long and historically the deals have been far apart. The company needs more stable revenues or else more rights issues are required.

The new strategy is partly based on acquisitions to leverage on existing technology. We are not expecting any mega sized M&A's but acquisitions always come with some degree of uncertainty and risk.

Kebni is still a very small company with limited marketing resources in an eco-system with huge global players and comprehensive government procurements. Even if the products are top-notch, it may have difficulties winning new orders due to its size.

Kebni entering a new phase

Brief history & milestones

The origin of Kebni was a small investment company dating back to the early years of the new millennium. C2Sat was acquired in year 2004. Shortly after the group assumed the name C2Sat, as the company decided to focus entirely on the antenna business. AIMS was acquired in 2011 and in 2012 the group changed its name to ExeoTech Invest AB.

ASTG (now Kebni) was formed in 2014 in conjunction with its IPO and listing on NGM-MTF. Prior to the listing Kebni was a wholly owned subsidiary to ExeoTech. After the listing ExeoTech was the largest shareholder with some 30-35 percent of the shares.

Israeli IAI, an excellent reference

Back in 2014 Kebni saw a bright future ahead. The company had 5 different development project and a sales target of SEK 100 million within three years. Unfortunately, all these projects were either terminated or delayed as they encountered technical issues. However, one of the projects, with Israeli IAI, is still very much alive. Deliveries to IAI ramped up in 2019 and will continue in 2020. Hopefully IAI will also serve as a reference to future orders primarily in government procurements of antenna systems for the navy and coastguard. In 2020 two acquisitions have added SatCom antenna products for land-based applications, see page 12

Kebni: Profit & Loss

SEK million	2014	2015	2016	2017	2018	2019
Net sales	**12**	**7**	**6**	**5**	**7**	**35**
Other operating income	6	16	14	6	7	2
Total revenues	**18**	**23**	**21**	**10**	**14**	**37**
EBITDA	**-23**	**-30**	**-2**	**-8**	**-11**	**-4**
EBIT	-31	-36	-7	-9	-12	-12
Net profit	**-33**	**-40**	**-7**	**-12**	**-14**	**-16**

Source: Kebni annual reports

Constantly underfinanced

Since the IPO in 2014 Kebni has continuously been struggling with financing. Bridge financing and rights issues have been major events each year. Naturally this has required a lot of attention from management while also putting a restraint on product development as well as sales and marketing. The company appears to have been in somewhat of a catch 22 dilemma due to very scarce resources for several years. The financial situation has improved but we believe the company will raise additional capital before reaching break-even and sustainable positive cash flows.

Kebni: History and Milestones

Year 2004	2011	2013	2014	2017	2018	2019	2020
Acquired **C2Sat (VSAT)**		**VSAT** Development contracts with **IAI & Indra**		**VSAT** Order from IAI: USD 2.9m	**VSAT** Additional order IAI: USD 1.7m	**VSAT** Additional order IAI: USD 2.1m	**VSAT** Acquired assets from **ReQuTech**
	Acquired **AIMS**		**IPO** NGM-MTF		**IMU** Evaluated as supplier to SAAB Dynamics	**IMU** Chosen as preferred supplier to SAAB Dynamics	Acquired **Satmission AB**

Source: Kebni homepage

Kebni's new business areas

SatCom

- KebNi Maritime
- KebNi Land Mobile

IMU

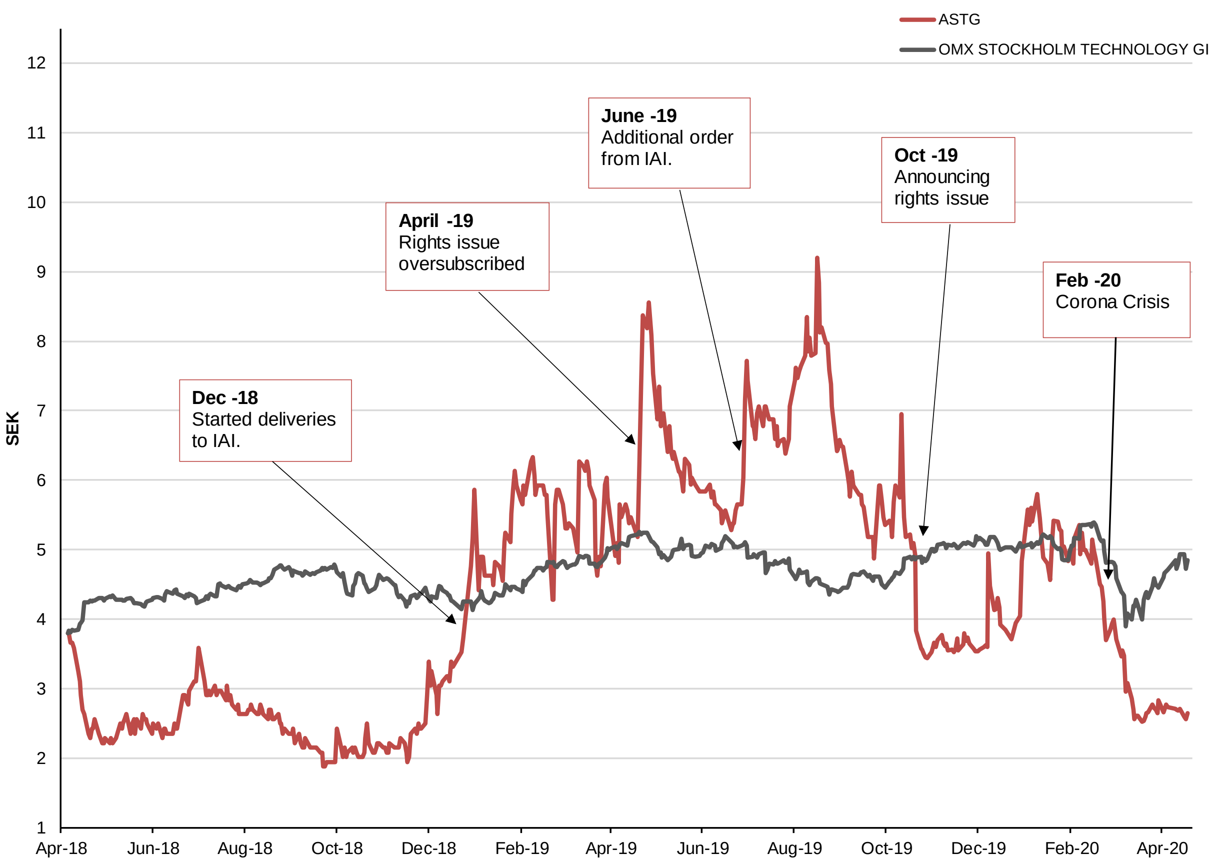
- KebNi Inertial Sensing

Share price performance

The share has shown high volatility for an extended period of time. One main reason, as mentioned earlier, are the recurring rights issues over the years. Moreover, there have been a number of positive significant business news. The pattern is not at all unusual for a company with big potential but still running at a loss and with a weak balance sheet.

Following the downturn earlier this year, the share has underperformed the market significantly in the last two years. Currently it is trading only just above its lows from October 2018. Some of the main events with impact on the share are high-lighted in the graph below.

ASTG - Stock Market History



Source: Redeye Research, Nasdaq Stockholm | Data as of April 20, 2020.

New management, new strategy

In June 2019 Carsten Drachmann was appointed new CEO of Kebni. This appears to be the start of a new phase and certainly an encouraging signal in a couple of respects.

Carsten Drachmann has a background from international business in several different industries including telecom (20 years at Nokia) and satellite communication. Most recently he worked with US company Datapath Inc, which is Kebni's major distribution partner for satellite antennas. Carsten Drachmann held various positions during his three and a half years with Datapath, including global Chief Sales & Marketing, as well as Managing Director of the Swedish subsidiary, Datapath AB. So, we can assume that he was very familiar with Kebni when he took the job. We can also conclude that his background appears to be an excellent fit for the requirements.

Carsten Drachmann has recruited a few new members to the management team. Claus Rosenkvist Nielsen started as COO in January 2020. In April Henrik Asbjørn joined as Chief Sales Officer. Henrik was Head of Sales for Datapath Europe. So obviously he is familiar with Kebni and has worked with Carsten before. Moreover, Viveka Hiort af Ornäs was just recently hired as new CFO.

New team with relevant background

Kebni is still a small company, but compared to just one year ago, it is now much better staffed to enter a commercial phase. The new team has the relevant background and experience to address international customers. As far as we can judge, this has not really been the case before.

New Strategy

Kebni is operating in markets with strong growth momentum over at least the next decade. Satellite communication is growing rapidly as satellites become cheaper, and the services they provide are requested in a multitude of business segments such as internet connectivity, telecommunication, earth observation, etc. Kebni Inertial Sensing also sees an increasing demand in applications like autonomous vehicles, UAV's, mining equipment etc.

The new growth strategy, which was communicated last year, is aiming at growing Kebni's existing technology in several market segments. The logic is quite straight forward. In essence: More sales from current product portfolio by stepping up sales and marketing efforts. Build critical mass and broaden offering to mitigate fluctuations in individual markets. Moreover, strategic acquisitions will be made to further leverage on technology, brand and organization. Kebni has identified a number of companies in the Nordic region that could fit in to the group. The vision is to create a new major Nordic company, within satellite communication and technologies for stabilization and movement, by year 2025.

Management	In current position since	Number of shares	Number of warrants
Carsten Drachmann, CEO	2019	219 000	250 000
Viveka Hiort af Ornäs, CFO	2020	0	0
Claus Nielsen, COO	2020	45 000	50 000
Henrik Asbjörn, Chief Sales Officer	2020	0	50 000
Total:		**264 000**	**350 000**

Source: Holdings, Kebni homepage

Fragmented ownership

Kebni's problems in the past are to a large extent related to the lack of long-term commitment from owners with deep pockets. The company has been living hand-to-mouth with insufficient resources and after a series of right issues, previously large shareholders have been diluted. Reidar Östman is still the single largest owner in terms of voting rights. He is one of the long-time owners who has supported the company previously by offering bridge financing. However, according to statistics from Holdings, he has recently sold all his B-shares while still holding A-shares.

As of now, the three largest owners, Allgon, Formue Nord and ReQuTech, came aboard only in the last few months. Allgon and ReQuTech received shares as consideration for Kebni's acquisitions (Satmission AB from Allgon and COTM related assets from ReQuTech). We do not expect Allgon to be a long-term owner, since it's not in line with their strategy. For ReQuTech it's different. They will be cooperating with Kebni on development projects in the future and hopefully maintain a long-lasting business relationship.

Formue Nord on the other hand subscribed for 1.75m shares in a directed issue in April and gave Kebni a credit line of SEK 6.5m. Formue Nord was also engaged in Kebni last year when they granted a SEK 15m loan, which expired on December 31. Formue Nord is a Danish asset manager active in the small- and microcap space in the Nordic markets. They have several investments in Swedish listed tech companies and often with customized financial solutions, such as the one in Kebni. It is difficult to draw any conclusions from their current portfolio in terms of investment horizon. Hopefully they will be in for the long ride, since Kebni most certainly will be raising more capital when executing on their growth strategy.

As of 2019, an incentive program for key staff (including consultants) was initiated. A total of 750 000 warrants were issued. So far management has received 350 000 warrants, as far as we know, see table above. The remaining 400 000 warrants will be offered to key staff during 2020 and possibly beyond.

Major shareholders June, 2020	Number of A-shares	Number of B-shares	% of capital	% of votes
Allgon		2 500 000	7.4%	6.9%
Avanza		1 929 387	5.7%	5.3%
Formue Nord		1 750 000	5.2%	4.8%
ReQuTech		1 600 000	4.8%	4.4%
Nordnet		1 390 120	4.1%	3.8%
Sven-Olof Hagelin		660 000	2.0%	1.8%
Skandia		576 470	1.7%	1.6%
Reidar Östman	295 302	0	0.9%	8.1%
Handelsbanken Liv		281 194	0.8%	0.8%
Gösta Nydahl		276 650	0.8%	0.8%
Carsten Drachmann		219 000	0.7%	0.6%
Others		22 178 843	65.9%	61.1%
Total:	**295 302**	**33 361 664**	**100.0%**	**100.0%**

Source: Holdings

New and improved Board of Directors

Three out of five Board members are new since 2019. Given past turbulence in the company and new strategy we cannot really evaluate the Boards achievements yet. The Board appears to be a good mix of people with a relevant background and certainly some are highly competent within Kebni's market segments. Lars Jehrlander has been in the SatCom- and telecom markets for decades. He was the CEO of Allgon Systems in the early 2000's. After that he was the CEO of SWE-DISH, a satellite antenna company later acquired by DataPath. Magnus Edman is one of the founders of Kebni Inertial Sensing, with a background from the defense industry. Today he is a Managing Director at Prevas Development AB. Bengt Jageus is a project manager at Sandvik Materials Technology and Jonas Eklind is the CEO of Azelio, listed at Nasdaq First North.

David Svenn, Chairman of the Board, is a lawyer. His engagement in Kebni started in late 2017 when the company faced some serious problems. As we understand it, owners, board and management were not aligned regarding focus and priorities, the company was disorganized and finances were stressed. Moreover, the relationship with Israeli IAI needed to be reinforced in order to save the very important development project. David Svenn was acting CEO from July 2018 and since May 2019 he is the Chairman of the Board.

The number of shares owned by Board members is in our view very low, although they were probably purchased at a higher price than current levels. In fact, management owns twice as much as the Board members, which is a slightly odd situation. Since three Board members were appointed quite recently, we understand if there hasn't been an opportunity yet. But we would like to see some change, as it signals commitment to the company and a belief in the new growth strategy.

Board of Directors	On the Board since	Number of shares
David Svenn, Chairman	2018	48 525
Lars Jehrlander	2016	48 020
Bengt Jagaeus	2019	47 000
Magnus Edman	2019	31 200
Jonas Eklind	2019	0
Total:		**174 745**

Source: Holdings, Kebni homepage

Kebni-Operations

Kebni has three business areas, two within SatCom; Kebni Maritime and Kebni Land Mobile, and one within IMU: Kebni Inertial Sensing. The latter is closely interconnected with SatCom, since the IMU's are a vital part of the stabilizing platform systems. But IMU's are also used in a multitude of other applications and Kebni has customers from various industries.

KebNi Maritime

Kebni Maritime (former C2Sat) was founded in year 2000 when it started developing a 4-axes stabilized VSAT antenna system for maritime use. The concept of using a stabilizing platform based on 4-axes (instead of 3), is still very much at the core of the company's competitive edge. Development and headquarters is situated in Kista, Stockholm.

Products and market position

The product range comprises VSAT antenna systems for the X-, Ka- and Ku- frequency bands. VSAT (Very Small Aperture Terminal) is a station with a dish antenna smaller than 3.8 meters diameter. Usually they are 1-2 meters. Kebni has a few different sizes within this range, depending on its application. The heart of the system is the unique stabilizing platform. A satellite antenna needs to be pointing at the satellite it's communicating with. On a ship this is no easy task since the direction keeps changing. The satellite dish needs to be redirected constantly. Kebni's system is based on a platform using four axes, instead of three which is the common solution in the market. The 4-axes system comes with advantages that give superior performance in terms of uptime and also less wear, which makes them more durable and reduces the need for maintenance.

Kebni Maritime's antenna systems are developed for navy and coast guard vessels. This means they are high-performance in terms of satellite connection (not losing the signal). Moreover, they are extremely robust to cope with harsh environments. The systems are certified to meet military standards (MIL), which includes a series of rigorous tests. Certainly, these systems meet the requirements from commercial ships as well. But the commercial market is more competitive on price and therefore not Kebni's sweet spot.

The picture below is a "Kebni Maritime Ku100MIL VSAT antenna with a stabilizing platform proven according to US military standards for vessels participating in sea warfare and defense". Weight: 230 kg, Diameter: 1.44 m.

KebNi Maritime Ku100MIL

Kebni is a total system supplier and delivers the entire system as shown in the picture above. This includes hardware and advanced software. The software is primarily related to the stabilization of the platform, where Kebni Inertial Sensing's IMU's are vital components, or rather: vital sub-systems.

The dish itself and the dome which covers the entire antenna (left corner in the picture) are not developed or manufactured by Kebni. But they are also proprietary products where Kebni owns the IP. Moreover, a number of other components and subsystems are sourced from suppliers, according to Kebni's specifications, in order to meet high requirements regarding reliability, uptime and low need for maintenance. Design, development and testing, often in close cooperation with its customers, is conducted in-house. Production is however outsourced to contract manufacturers.

KebNi Land Mobile

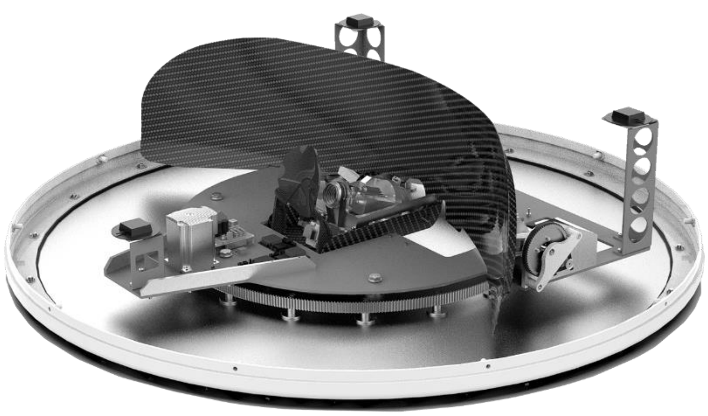
ReQuTech acquisition adds COTM

"Communication On The Move" (COTM), is the concept of mobile communication capability, particularly in military applications and with regard to beyond line of sight. Kebni recently announced the acquisition of technology and rights for solutions for land-based communication from ReQuTech (www.requtech.com). ReQuTech is a Swedish company and a part of Quamcom Group (www.quamcom.com), with a long history within satellite communication.

The new suite of products will complement Kebni's existing range of maritime systems and broaden the product portfolio, in line with the new strategy. There are obvious synergies in the stabilizing platform, where the maritime solution can be reused in the land-based applications e.g. for trains and busses. Moreover, regarding sales and marketing Kebni will benefit from having a wider offering that can accommodate the needs of customers and strategic business partners.

According to Kebni, the solution is in its final testing phase and has already been promoted to a number of customers. Management is optimistic about launching the new products in the market soon. Probably no sales this year, but rather in 2021. Below is a picture of the prototype for land-based mobile antenna systems "On The Move".

COTM for hybrid KU/KA band operation



Satmission by KebNi

The most recent addition to the group is Satmission AB, based in Kalix. Satmission is a well established provider of mobile satellite communication systems for broadcasting. The antennas are mainly mounted on cars and vans, as shown in the picture below. As we understand it, this "Drive away" antenna system is Satmissions flagship product. But they also offer a few other products and services. Customers include media houses and broadcasters but also military and rescue units. We believe the latter market segment is growing in significance, but we have very limited info on Satmissions sales in recent years.

Satmission was founded in 2004 and acquired by Allgon in 2017. Following changes in Allgons group strategy, the company was divested to Kebni in May 2020. The purchase price was 2.5m Kebni shares plus a minimum earn-out of SEK 4.6m. The earn-out is based on sales performance in the next three years, with no upper limit.

Satmission AB

SEK million	2015	2016	2017	2018	2019
Net sales	31.1	22.0	11.6	7.7	15.8
EBIT	7.5	3.6	-4.4	-3.4	0.5
Gross margins	46%	52%	41%	47%	n.a.
EBIT margin	24%	16%	neg	neg	3%

Source: Satmission AB's annual reports, Allgon AB

Excellent fit to Kebni SatCom

We have limited information on the details behind Satmission's financial numbers as presented above. We can assume that Allgon has not provided the ideal platform in terms of sales focus. This should certainly improve going forward, as Satmissions product range is an excellent fit to Kebni's other Satcom divisions. Regarding profitability, we note that gross margins have been on a healthy level around 45-50%.

Satmission Driveaway antenna system

Go to market strategy

For a small company targeting the international defense market it is necessary to find relevant partners. Government procurements are often comprehensive, big size orders but far between. For Kebni to cover these business opportunities alone is not a viable option. As a rule, government business requires a local partner. A handful of global defense contractors are supplying the majority of advanced VSAT antennas for the military market. These companies include Airbus, General Dynamics, Thales Group of France, Leonardo of Italy and Spanish Indra. As a rule, the VSAT antennas are a rather small part of a comprehensive total communication system. Having the right channels to cooperate with these companies is essential for any antenna supplier who wants to participate in these procurements.

US company DataPath has, during the last few years and up until recently, had an exclusive agreement to market C2SAT systems. This is now changing and Kebni's plan is to sign up more partners around the world.

Kebni is also staffing up on its own sales resources to support marketing. Not only for the maritime business, but also for their land-based antenna systems and IMU business. This is probably a lesson learned from previous years when partners and distributors really haven't generated much business. The company's great commercial success so far, the orders from IAI, was basically achieved by their own effort, as far as we understand.

Kebni's success in Israel is even more interesting considering that one of their main competitors, Orbit (www.orbit-cs.com, is an Israeli company. Orbit has received a number of international orders for their OceanTRx product range in the last few years.

Commercial progress

Already back in December 2005 an agreement was signed with Chinese K-E Ming, a subsidiary of state-owned China Electronics Technology Group Corporation. The plan was to launch maritime antenna systems in China in the coming years, but no business was generated, and the agreement was dissolved in 2008. During these early years the company set up a subsidiary in Singapore as they found a number of customers and distributors in South East Asia and Australia. Singapore is also an important hub for the commercial maritime industry, which was the focus market segment at the time. In these "early years" several VSAT antenna systems were delivered to clients all over the world (according to the annual report 2013 around 100 units).

Gradually Kebni refocused to military customers, where the requirements and price levels were higher. The starting point was maybe around 2009/10 when the first contract with French aerospace group Thales was signed. And in 2013 Kebni signed the first development contracts with Israeli IAI and Spanish Indra. These two companies are so far Kebnis most prominent clients for SatCom systems, see below.

Israeli Aerospace Industries (IAI)

Most successful business project so far

Kebni's most important customer to date is IAI (www.iai.co.il), an Israeli multi billion company in the space and defense industry. This is also their most successful business project as of today. As mentioned earlier, IAI has placed orders worth a total of USD 7 million for maritime antenna systems. Deliveries started in late 2018 and will continue in 2020. The first development project was signed back in year 2013, but was heavily delayed. Partly because of Kebni not having sufficient resources to complete the necessary product development.

Fortunately, these issues were overcome and IAI placed the first order of USD 2.9 million in December 2017 for VSAT systems based on the P9 platform. This was followed up by a second order of USD 1.7 million in November 2018 and a third of USD 2.1 million in June 2019. As far as we understand the systems are all being installed on Israeli Navy ships. But we have very limited information on the specifics of this deal, which is common when it comes to military procurements. Nevertheless, IAI is an extremely valuable reference for future business. Also, IAI is a global company with subsidiaries and business activities around the world. This could hopefully lead to more business for Kebni, if IAI participates in other procurements were maritime satellite antennas are required.

Indra Sistemas S.A.

The Spanish defense contractor Indra Sistemas has been a client for many years. The cooperation between the two companies has been on-and-off, partly because of the turbulence that C2Sat has gone through on corporate level. Some deliveries were made already in 2013 and in 2015 the first unit of a dual band X/Ka antenna system was delivered to the Spanish navy. Kebni supplied the stabilizer software and all the controls. They have also delivered the stabilizing systems to other projects where Indra used their own antennas. Current status of the cooperation with Indra is somewhat unclear to us, as the company has not announced any major news recently. According to the 2020 full year report, Indra bought some spare parts in 2019 so at least there is still a business relationship. Indra is a main supplier to the Spanish navy while also having a global footprint.

Market trends

Satellite communication is growing rapidly as satellites become cheaper and the services they provide are requested in a multitude of business segments such as internet connectivity, telecommunication, earth observation, weather forecasting etc. The overall Satcom market is expected to show at least 5% annual growth in value over the next decade. Some predictions are certainly a lot more optimistic (than 5% CAGR). But at least we can conclude that the trend is favorable with a solid growth rate. And as far as Kebni is concerned, it's more important to look at their specific market segments.

Double digit market growth

According to the company Kebni Maritime's addressable market has an expected CAGR of 13% and a total value of + USD 5 billion over 10 years. Doing the backward math suggests a current market size of approximately USD 265 million.

As mentioned before, Kebni Maritime's sweet spot is the government market for navy and coast guard vessels. The company estimates that the installed base of VSAT antennas for this category was around 7 400 units in 2018. By year 2027 they expect an installed base of more than 17 000 units in this segment. Current annual value of this market is approximately USD 50 million, which is expected to grow to around USD 90 million by year 2027, corresponding to CAGR ~9%. (Source: Northern Skies Research 15th Edition). This is the market segment where Kebni has a clear competitive edge with a top-notch product that has been validated by IAI, a very demanding customer. We are certain that this will lead to more business going forward. However, the lead times for government procurements are long. Minimum one year and often a lot longer.

More LEO satellites bring new opportunities

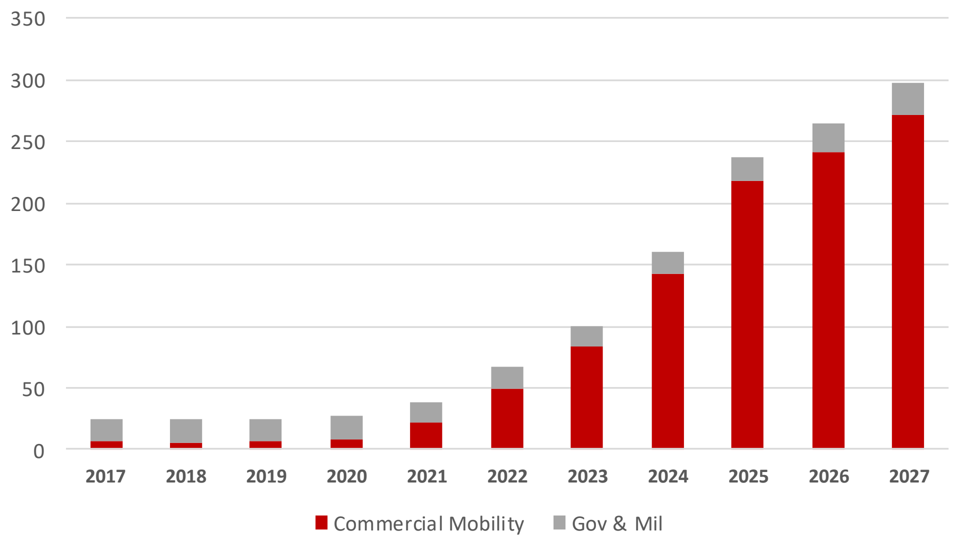
Communication satellites have traditionally been geostationary. They rotate in the same direction as Earth and in the same position at a high altitude over the equator. The majority of new satellites are so called Low Earth Orbit (LEO). They are constantly moving relative to Earth. The antenna system must track the satellite as they travel across the sky. This requires more advanced solutions compared to geostationary satellites, for maritime- as well as land-based applications. In line with Kebni's new strategy, the core technology is expected to offer new opportunities in these market segments as LEO satellites become more common.

COTM

"Communication On The Move" is another segment which is expected to show very high growth in the next decade. Kebni is initially focusing on transportation vehicles in the commercial segment such as trains and busses, where passengers are offered broad band services on board. They are also looking into more rugged applications for military customers at a later stage.

The graph below shows global market size and expected growth for antennas connecting to commercially owned satellites (i.e. excl. military and government). As illustrated, the market for Commercial Mobility is still very limited today but expected to grow rapidly in the coming decade (Source: Northern Skies Research).

Land-Mobile COTM equipment market on commercial satellites (USDm)



Source: Northern Skies Research, Oct 2019, ASTG Q1-20 report

KebNi Inertial Sensing

Kebni Inertial Sensing (former AIMS) was founded in 2005 by developers previously employed by C2Sat Development with a background from the defense industry. C2Sat was a minority shareholder from the start and in 2011 Kebni Inertial Sensing became a fully owned subsidiary. The company is located in Karlskoga, Sweden.

The company's offering centers around the Inertial Measurement Unit (IMU). The IMU is a device that measures movements in real time through integrated accelerometers, gyro sensors and sometimes magnetometers. It can thereby determine it's position, speed and acceleration. IMU's are used in a wide range of industry applications including aircraft, missiles, satellites, submarines, autonomous vehicles, drones, robotics, oil-drilling heads etc. And also many consumer products such as smartphones and tablets, game consoles, fitness trackers and Segways. The properties of the IMU is often combined with other systems, e.g. GPS, particularly for positioning and navigation applications.

Products and market position

There are a few different types of technologies used for IMU's. Kebni has products based on FOG (Fiber Optic Gyro) and MEMS (Micro Electro Mechanical Systems) technology. MEMS is the most common. These units are typically small, rugged, reliable and consume little power. They are also rather inexpensive to produce and therefore popular in a wide range of applications.

The founding idea was to offer and adapt state of the art military technology to commercial applications. Kebni's IMUs are high-end (high accuracy) with advanced software in a reliable and compact format. The products are to some degree adapted for each customer application. According to the company: "Customization is our standard". The extent to which the products are customized varies a lot. The development contract with SAAB Dynamics is probably at one end of the spectrum taking several years to finalize. For the simplest applications, it's more a matter of calibrating one of their existing products. But in general, Kebni is focused on more advanced high-end systems.

Kebni has a product range that suites most applications in the industry segment, e.g. autonomous cars, agricultural tractors, mining machines, vessels and of course Kebni's own satellite antenna platforms. The size of the units is approximately 10x10 cm. Hence, they are not used in consumer electronics such as smartphones and game consoles.

KebNi Inertial Sensing: Navigation IMU

Business model

Since the IMU's need to be adapted and customized, Kebni participates in the customers development of a new product. This generates some revenues, but the upside potential is obviously when the products start selling. Since the IMU is a vital part of the system it is not easily replaced and will generate repetitive business. The lifecycle of these type of products is typically several years.

According to Kebni (Rights Issue Nov 2019 Prospectus page 21) the price strategy is based on a rather transparent pricing model with the client, where the price is determined based on costs for BOM, development, production and a margin. Thus, a "cost-plus pricing" rather than value based. The question is of course what margin is included in this equation. But the approach as such, suggests that the potential for great profitability may be limited. According to management this is the case when Kebni is heavily involved in product development and the volumes are high. With less customization, the pricing strategy is more value based.

Commercial progress

Large project with SAAB Dynamics

Since 2018 AIMS has been involved in a large development project with SAAB Dynamics. The name of this client and the product concerned, NLAW anti-tank weapon system, was disclosed only last month. Previously Kebni has stated that, if and when it is launched, they expect to deliver IMU's at a value of at least SEK 200 million over a five-year period. Regarding the potential size of future business from this deal it should be noted that current management does not verify the assessment of "SEK 200m over five years". This statement was made by previous management and Carsten Drachmann's view is that it is too difficult to estimate with any accuracy. He confirms that the potential is huge, but does not want to indicate any numbers.

One of Kebni's early customers was a Formula one racing team. Other applications since then include suspension systems for cars and motorcycles. Trim-stabilizers for vessels is another application were Kebni has made several deliveries. Lately, IMU's for autonomous vehicles seem to be the main category, judging from company communication. Kebni started delivering IMU's to Atlas Copco's self-driving mining machines several years ago. As far as we understand they still do (although Atlas Copco Mining changed name to Epiroc). Lately Kebni has not mentioned the clients name, but we conclude/guess that it's still Epiroc they refer to. Judging from Kebni's very modest sales numbers, this is however still rather small business. Recorded annual total sales in 2018-19 was SEK 1-2 million.

Competitors

The list of companies that develop and manufacture MEMS or FOG IMU's is almost endless. It includes several global players such as: Robert Bosch, Panasonic, Boeing, Honeywell, Northrop Grumman, Thales Group, STMicroelectronics, Texas Instruments and many more. Some of these companies are mainly developing IMU's inhouse for internal use in various systems. But in many cases they are also marketed and sold as separate products to external customers. In addition to these mega players there are many small and mid-sized companies more focused on IMU's and navigational systems.

At this point it is still difficult to assess Kebni's competitive edge or USP. We simply haven't seen enough in terms of commercial progress to prove the case. One of the reasons why sales has been very modest is certainly the fact that resources for to marketing have been extremely limited in the last few years. According to management, one of the things that their customers value is that Kebni's products are easy to adapt and integrate in the various system applications.

Market and trends

The global IMU market is worth several billion dollars annually and everything suggests that it will continue to grow at a robust pace. It is however difficult to assess since it is very fragmented with a wide variety of applications in different types of systems. The number of IMU units needed is somewhat easier to estimate, which gives a good idea of the total market value.

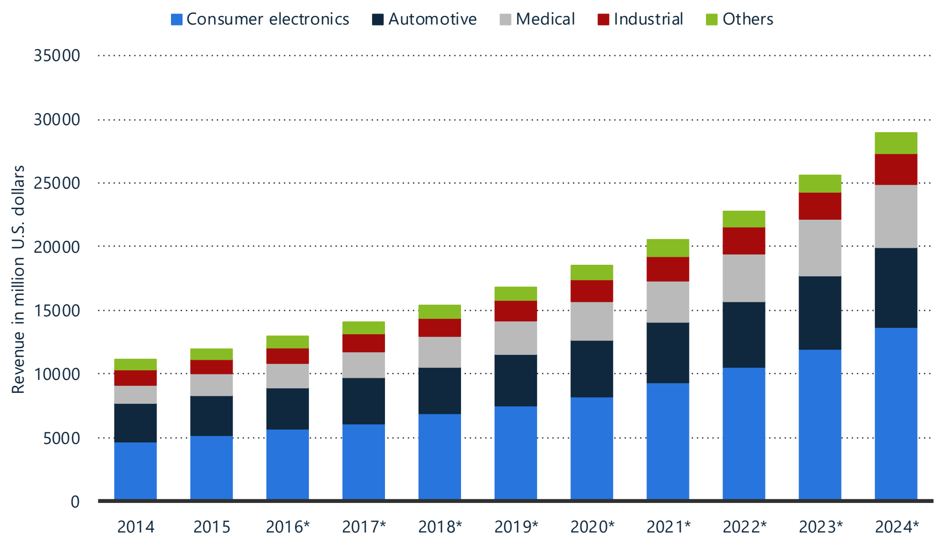
Expected strong growth in addressable market

According to Kebni presentations (source: Kebni/www.yole.fr) the total market size was around USD 3.5 billion in 2019, with an expected CAGR of 6% up until 2022. The company's addressable market is estimated to an annual value of USD 700m, with a CAGR of 16.5% for the same period. This is the industry segment which includes cars, trains, tractors autonomous vehicles etc.

For the purpose of our research we have not dissected these market numbers to any great extent. What we can conclude is that the size of the total market is huge and everything suggests that it will continue to grow at a good pace in the foreseeable future.

Below is a chart showing expected growth rates by market segment (source: Grand View Research). The aggregated value is higher than the number we referred to above (Yole), mainly since they also include consumer electronics. Nevertheless, they support the picture of healthy growth, both historically and forward looking.

MEMS market revenues worldwide, by application (USDm)



Source: Grand View Research, Statista estimates; ID 796333

Financial forecasts

Kebni has taken important steps towards a more stable business. The Group has added business area Land Mobile which has an excellent fit with Kebni Maritime and the new strategy. We expect that it will take another year or two before we see the full impact of synergies between the divisions. Also, given the rather long lead times for Kebni's "old" business (defense and IMU), we expect to see only modest growth in 2020-21 and a more pronounced ramp up in 2022-23.

SatCom

Kebni has stated that they have a number of leads for government business in the maritime segment, particularly in Europe. We have no further information on this, but we believe Kebni Maritime will be able to win new orders in the next few years. We assume one new contract in 2021 (about the same size as IAI ~EUR 6m) and at least one more by 2022-23. That would correspond to around 5% of global government market (navy & rescue).

COTM seems optimistic about launching their first products soon. The full year report stated that: "This may not bring revenue in 2020 but will help build an orderbook for 2021. We expect to see the first revenues in 2021 and a gradual pick-up from 2022.

Satmission recorded annual sales in 2017-19 between SEK 8-16m, which is quite an amplitude. The order book was SEK 4m on April 1 and another three orders (SEK 5m total) have been announced lately. Business momentum seems good but considering previous swings in sales, we are a bit cautious. With Kebni as a new dedicated owner with significant synergies in sales and marketing we are quite optimistic for the longer-term prospects.

Kebni Inertial Sensing

A major game changer for the company is certainly if the cooperation with SAAB Dynamics goes to plan. We assume that it will, and according to previous comments from Kebni this deal alone is expected to generate at least SEK 200 million over a five-year period. This deal constitutes the major part of the business areas sales in our forecast period, but we don't think the production ramp-up will start until year 2023.

Management stated recently that the contract with SAAB: "is expected to contribute well to the 2020 revenue numbers compared to 2019". They have also stated that IMU orders from other clients are received on a regular basis. Hence, we expect some growth already in 2020, but still rather modest sales in the next couple of years.

Kebni: sales forecasts

SEK million	2019	2020E	2021E	2022E	2023E	2024E
SatCom						
KebNi Maritime	33	33	20	30	40	50
Land Mobile, COTM	-	0	3	6	12	18
Land Mobile, Satmission	-	16	22	25	28	30
Total SatCom sales:	**33**	**49**	**45**	**61**	**80**	**98**
KebNi Inertial Sensing						
SAAB Dynamics	-	2	4	6	20	40
Other IMU	2	2	4	8	12	18
Total IMU sales:	**2**	**4**	**8**	**14**	**32**	**58**
Total Group net sales:	**35**	**53**	**53**	**75**	**112**	**156**

Source: Kebni, Redeye research

Costs- and earnings estimates

When it comes to estimating costs and future profitability, reported historic numbers are of limited use. Up until 2019 revenues were very modest and Kebni has only recently reached break-even on EBITDA-level. The current and future expansion plans will incur costs that are difficult to project for us at this point. The company has not communicated any targets in terms of profitability.

Gross margins

Long-term gross margins ~50%

Since production is outsourced, the cost item "Raw materials and consumables" is a fairly good proxy for COGS. Satmission has some inhouse production, but for the sake of simplicity, all units and cost estimates are aggregated on group level. We expect long-term gross margins of around 50%. This is also well in line with Satmissions level in the last few years. There will probably be short-term variations depending on product mix. But as an average between the four divisions and with more repeat business, we believe 50% is attainable.

Opex

Personnel costs will increase quite significantly in 2020-21 compared to 2019. The number of staff has increased by at least 50%. Both from the acquisition of Satmission and recent recruiting. We believe there are still some positions to fill in the new organization. Primarily within sales, marketing and supply. A CFO was just recently appointed. Other external costs will probably also increase gradually as the company is in a build-up phase. At least during the next few years of rapid expansion.

Investments

Kebni's investments (apart from acquisitions) are primarily related to product development. Investments in immaterial assets have amounted to SEK 5-6m annually in 2017-19, mostly recognized as "Own work capitalized" in the P & L. Capex is very limited since production is mainly outsourced. We expect to see somewhat higher investments in the future as the company is growing. Moreover, we are quite sure there will be more acquisitions (similar to ReQuTech and Satmission). Management seems to have a plan and a short-list of target companies. However, we do not include any future acquisitions in our forecasts, since it would merely be a guessing game.

Kebni: Profit & Loss

SEK million	2018	2019	2020E	2021E	2022E	2023E	2024E
Net sales	**7**	**35**	**53**	**53**	**75**	**112**	**156**
Other operating income	7	2	7	7	7	7	7
Total revenues	**14**	**37**	**60**	**60**	**82**	**119**	**163**
Raw material and consumables	-3	-23	-32	-29	-38	-56	-78
Other external costs	-16	-12	-19	-19	-20	-22	-25
Personnel costs	-5	-7	-18	-20	-22	-26	-33
Depreciation/amortiztion	-1	-7	-7	-8	-8	-8	-9
EBITDA	**-11**	**-4**	**-8**	**-8**	**3**	**15**	**28**
EBIT	**-12**	**-12**	**-16**	**-15**	**-5**	**7**	**19**
Sales growth Y/Y	48%	412%	52%	0%	42%	49%	39%
Gross margin	53%	35%	40%	45%	50%	50%	50%
EBITDA margin	neg	neg	neg	neg	4%	13%	18%
EBIT margin	neg	neg	neg	neg	neg	6%	12%

Source: Kebni, Redeye Research

Valuation

Fair value:
~SEK 2.8 per share

Our Discounted Cash Flow-model indicates a fair value of SEK 2.8 per share. This is based on the financial estimates outlined above and assumptions for long-term growth and profitability and other parameters presented below. These include:

- Discount rate (WACC): 13%
- CAGR 2023-30: 15%
- Average EBIT margin 2023-30: 11%
- Terminal (after 2030) growth: 2% and EBIT-margin: 11%
- No acquisitions, no dilution from rights issues

The WACC is generated by our Redeye Rating model. 13% is well in line with other companies in our universe with similar properties in terms of commercial progress.

CAGR of 15% over a period of eight years may seem bold. It's higher than expected average growth rate in the underlying markets. But the total market is huge and Kebni will gain market shares if they are fairly successful. CAGR of 15% would bring net sales to almost SEK 300 million by year 2030. In a multi-billion dollar market growing at a healthy rate, that doesn't appear too bold.

EBIT margins around 11% is maybe not a very challenging target for products that have taken years to develop and are vital parts of complex systems. But as an average over time, including ups and downs in the market, we believe it's a fair assumption.

Kebni, assumptions and valuation

Assumptions	2023-30	DCF-value	
CAGR sales	15%	WACC	13%
EBIT margin (avg.)	11%	PV of FCF	12
ROE (avg.)	20%	PV of Terminal value	68
		EV	80
Terminal		Net cash	14
Growth of FCF	2%	**DCF value**	**94**
EBIT margin	11%	**Fair value per share**	**2.81**
EV/S Exit multiple	0.9x	Share price today	2.35
EV/EBIT Exit multiple	8.4x	**Potential**	**20%**

Source: Redeye Research

Sensitivity analysis

Sustainable margins are very difficult to predict given limited input from historic numbers. Moreover, the WACC is by no means an objective calculation. Also, the WACC will decrease over time, if e.g. revenues become more stable and earnings improve.

DCF-value, SEK per share

	Sustainable EBIT margins				
WACC	**7%**	**9%**	**11%**	**13%**	**15%**
11%	1.9	3.1	4.0	4.9	6.1
12%	1.6	2.6	3.4	4.2	5.2
13%	1.3	2.1	**2.8**	3.6	4.4
14%	1.2	1.7	2.4	3.1	3.8
15%	1.0	1.4	2.1	2.6	3.3

Source: Redeye Research

Scenarios

Our Base case scenario is outlined in the section above. But Kebni is in a stage where it's difficult to make financial forecasts with any high level of precision. Growth rates and profitability could be significantly higher or lower than our Base-case suggests. Moreover, the M&A agenda could certainly accelerate the expansion. On the other hand, bad acquisitions or other setbacks could have adverse impact on the group's future growth and sustainable profitability. Kebni has three business areas and is no longer a "one-trick pony", like it used to be a couple of years back. Hence, our scenarios are not based on any single crucial event. They are instead rather stretched sensitivity analysis.

Bull case

Bull case: ~SEK 4.8

In this optimistic scenario we model a strong sales growth of 20-25% during 2023-30. Net sales in 2030 would then be SEK 4-500 million (vs Base case ~SEK 300m). Certainly quite optimistic, but given the vast market potential, still possible. This growth offers potential for even better economies of scale and higher sustainable margins are therefore attainable. In our Bull case we assume: 13-15% long term EBIT margins. Fair value would then be around SEK 4.8 per share. This is marked by the green area in the table below.

Bear case

Bear case: ~SEK 1.5

In our pessimistic scenario we assume a long term CAGR of 5-10%. Net sales in year 2030 would then be SEK 150-200 million. Significantly higher than today, but still probably far from managements own ambition. This could be the case if Kebni e.g. fails to keep up with product development or if market competition becomes much tougher. As a consequence, profitability could then also be lower. Sustainable EBIT margins of 7-9% are not unrealistic, although clearly below our Base case scenario. In this Bear case (pink area), fair value would be around SEK 1.5 per share.

DCF-value, SEK per share

	Sustainable EBIT margins				
	7%	**9%**	**11%**	**13%**	**15%**
CAGR 2023-30					
5%	1.2	1.6	1.9	2.3	2.6
10%	1.4	1.8	2.2	2.7	3.1
15%	1.5	2.1	**2.8**	3.3	3.8
20%	1.8	2.5	3.3	4.0	4.7
25%	2.0	2.9	3.9	4.8	5.7

Source: Redeye Research

Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 1 points. The maximum score for a valuation key is 5 points.

Rating changes in the report: No changes

People: 3

CEO Carsten Drachmann came aboard in 2019 and parts of the management team even more recently. Hence, it is still difficult to evaluate their performance. In terms of background and experience, the team seems to be highly competent and well equipped for the task to execute the new growth strategy. The Board of directors also has a few new members since 2019 (3 out of 5). For a company this size, we believe the Board is well qualified and has a good mix of people with competence in business areas that are relevant to Kebni.

Business: 3

Kebni has just entered commercial phase with a range of products targeting a global market. Growth prospects for the selected market segments are robust for the foreseeable future. To some degree, the company has proven its competitive edge with high-quality/high-end products. On the other hand, Kebni is a small player compared to many competitors which have large resources and established positions in the market. Moreover, business deals typically have long lead-times and are far between. The company is broadening its offering, but our assessment is that stable and recurring revenues are still a couple of years ahead.

Financials: 2

Since the company is still posting red numbers and negative cash flow, the overall Financial score is low. The last few quarters showed positive EBITDA, which is encouraging. But we expect break-even and sustainable profitability to be another two years ahead, approximately. Considering current cash position and business pipe-line, we are also not ruling out the need for another rights issue. And in order to execute the new strategic growth plan, additional funding from shareholders is probably required.

INCOME STATEMENT	2018	2019	2020E	2021E	2022E
Net sales	7	35	53	53	75
Total operating costs	-18	-40	-60	-61	-72
EBITDA	-11	-5	-7	-8	3
Depreciation	0	0	0	0	-1
Amortization	-1	-7	-7	-7	-7
Impairment charges	0	0	0	0	0
EBIT	-12	-12	-15	-15	-5
Share in profits	0	0	0	0	0
Net financial items	-1	-3	-1	-1	-2
Exchange rate dif.	0	0	0	0	0
Pre-tax profit	-14	-16	-16	-16	-7
Tax	0	0	0	0	0
Net earnings	-14	-16	-16	-16	-7

BALANCE SHEET	2018	2019	2020E	2021E	2022E
Assets					
Current assets					
Cash in banks	1	14	9	0	0
Receivables	4	8	6	6	9
Inventories	5	9	8	8	11
Other current assets	2	3	3	3	3
Current assets	12	34	26	18	24
Fixed assets					
Tangible assets	1	1	3	5	10
Associated comp.	0	0	0	0	0
Investments	0	0	0	0	0
Goodwill	0	0	0	0	0
Cap. exp. for dev.	0	0	15	15	15
O intangible rights	29	26	26	26	26
O non-current assets	0	0	0	0	0
Total fixed assets	29	27	44	46	50
Deferred tax assets	0	0	0	0	0
Total (assets)	41	61	70	64	74
Liabilities					
Current liabilities					
Short-term debt	13	0	5	15	29
Accounts payable	3	7	8	8	11
O current liabilities	11	3	3	3	3
Current liabilities	27	10	16	26	43
Long-term debt	0	0	0	0	0
O long-term liabilities	0	0	0	0	0
Convertibles	0	0	0	0	0
Total Liabilities	27	10	16	26	43
Deferred tax liab	0	0	0	0	0
Provisions	0	0	0	0	0
Shareholders' equity	15	51	54	38	31
Minority interest (BS)	0	0	0	0	0
Minority & equity	15	51	54	38	31
Total liab & SE	41	61	70	64	74

FREE CASH FLOW	2018	2019	2020E	2021E	2022E
Net sales	7	35	53	53	75
Total operating costs	-18	-40	-60	-61	-72
Depreciations total	-1	-7	-7	-8	-8
EBIT	-12	-12	-15	-15	-5
Taxes on EBIT	0	0	0	0	0
NOPLAT	-12	-12	-15	-15	-5
Depreciation	1	7	7	8	8
Gross cash flow	-11	-5	-7	-8	3
Change in WC	4	-14	4	0	-3
Gross CAPEX	-7	-5	-24	-10	-12
Free cash flow	-14	-24	-28	-18	-12

CAPITAL STRUCTURE	2018	2019	2020E	2021E	2022E
Equity ratio	36%	84%	78%	60%	42%
Debt/equity ratio	84%	0%	9%	40%	92%
Net debt	11	-14	-4	15	29
Capital employed	26	38	51	53	60
Capital turnover rate	0.2	0.6	0.8	0.8	1.0

GROWTH	2018	2019	2020E	2021E	2022E
Sales growth	48%	412%	52%	0%	42%
EPS growth (adj)	-42%	-67%	-21%	2%	-58%

DCF VALUATION		CASH FLOW, MSEK	
WACC (%)	13.0 %	NPV FCF (2020-2021)	-32
		NPV FCF (2022-2028)	32
		NPV FCF (2029-)	80
		Non-operating assets	14
		Interest-bearing debt	0
		Fair value estimate MSEK	94
Assumptions 2023-2030 (%)			
Average sales growth	15 %	Fair value e. per share, SEK	2.8
EBIT margin	11 %	Share price, SEK	2.2

PROFITABILITY	2018	2019	2020E	2021E	2022E
ROE	-135%	-47%	-30%	-35%	-19%
ROCE	-45%	-31%	-26%	-27%	-9%
ROIC	-51%	-47%	-39%	-30%	-9%
EBITDA margin	-162%	-14%	-14%	-15%	4%
EBIT margin	-178%	-35%	-28%	-29%	-7%
Net margin	-199%	-45%	-30%	-31%	-9%

DATA PER SHARE	2018	2019	2020E	2021E	2022E
EPS	-1.85	-0.61	-0.48	-0.49	-0.20
EPS adj	-1.85	-0.61	-0.48	-0.49	-0.20
Dividend	0.00	0.00	0.00	0.00	0.00
Net debt	1.52	-0.53	-0.11	0.45	0.86
Total shares	7.30	25.60	33.36	33.36	33.36

VALUATION	2018	2019	2020E	2021E	2022E
EV	11.1	-13.5	68.2	86.8	100.4
P/E	0.0	0.0	-4.5	-4.4	-10.6
P/E diluted	0.0	0.0	-4.5	-4.4	-10.6
P/Sales	0.0	0.0	1.4	1.4	1.0
EV/Sales	1.6	-0.4	1.3	1.6	1.3
EV/EBITDA	-1.0	2.8	-9.2	-11.1	36.5
EV/EBIT	-0.9	1.1	-4.7	-5.6	-20.0
P/BV	0.0	0.0	1.3	1.9	2.3

SHARE PERFORMANCE		GROWTH/YEAR	18/20E
1 month	0.0 %	Net sales	179.2 %
3 month	0.0 %	Operating profit adj	9.9 %
12 month	-69.3 %	EPS, just	-49.3 %
Since start of the year	-37.5 %	Equity	90.9 %

SHAREHOLDER STRUCTURE %	CAPITAL	VOTES
Allgon AB (Publ)	7.5 %	6.9 %
Avanza Pension	5.8 %	5.4 %
Formue Nord A/S	5.3 %	4.9 %
Requtech AB	4.8 %	4.4 %
Nordnet Pensionsförsäkring	4.2 %	3.9 %
Ålandsbanken AB	2.3 %	2.1 %
Sven-Olof Hagelin	2.0 %	1.8 %
Livförsäkringsbolaget Skandia	1.7 %	1.6 %
Claes Lindqvist	1.0 %	0.8 %
Reidar Östman	0.9 %	8.2 %

SHARE INFORMATION	
Reuters code	KEBNIB.NGM
List	NGM-MTF
Share price	2.2
Total shares, million	33.4
Market Cap, MSEK	71.7

MANAGEMENT & BOARD	
CEO	Carsten Drachmann
CFO	Viveka Hiort af Ornäs
IR	Carsten Drachmann
Chairman	David Svenn

FINANCIAL INFORMATION	
Q3 report	November 19, 2020

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Redeye Rating and Background Definitions

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

Business

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.

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Disclaimer

Important information
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Redeye Rating (2020-08-04)

Rating	People	Business	Financials
5p	15	12	3
3p - 4p	108	84	33
0p - 2p	6	33	93
Company N	129	129	129

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CONFLICT OF INTERESTS

Henrik Alveskog owns shares in the company : No

Havan Hanna. owns shares in the company : No

Redeye performs/have performed services for the Company and receives/have received compensation from the Company in connection with this.