

Kongsberg Automotive ASA



Poised for an Upswing in a Changing Market

Kongsberg Automotive ASA (“Kongsberg” or “the Company”) is a worldwide supplier of automotive components, specializing in two main segments: *Flow Control Systems (“FCS”)* and *Driver Control Systems (“DCS”)*. Kongsberg’s product portfolio includes systems for managing vehicle fluids, enhancing driver control and specialized automotive solutions. Kongsberg is focused on securing long-term contracts lasting from 5 to 10 years, with current customers such as major market actors Volvo and Volkswagen, these contracts are structured with initial high-margin products followed by recurring service and component sales, ensuring stable revenue streams and economies of scale. Furthermore, the Company has sold non-core businesses to streamline operations and focus on key areas to improve efficiency and profitability. Kongsberg is estimated to attain a compounded annual growth rate (CAGR) of 2.8%, between 2023 and 2026. Based on an equally weighted DFC and peer valuation, an implied potential price per share of NOK 2.0 is motivated in a Base scenario.

Acceleration of EV Adoption Drives Market Growth

The global shift toward electric vehicles (“EV:s”) and autonomous driving is accelerating, with projections indicating an increase from 40m EVs in 2023 to 145m by 2030, a market Kongsberg is well-positioned to capitalize on with the Company’s solution in Driver Control Systems (“DCS”), which enhances vehicle control and Flow Control Systems (“FCS”), ensuring optimal battery performance and longevity in EVs. The Company has a broad customer base, including Volvo and Volkswagen, and is set to continue growing its top line as increased EVs, equipped with both DCS and FCS, are sold. The positive effects of increased EV sales through the customer base have already begun, as the company’s revenue from the EV segment increased from NOK 9,388.1m in 2022 to NOK 9,970.4m in 2023, with an estimated increase to NOK 10,212.0m in 2026.

Expansion into the Fluid Application Market

Kongsberg is increasing the focus on fluid management systems, which are crucial for various industrial uses, such as cooling systems for data centers. The global market of industrial pumps is expected to grow from USD 67.8bn in 2023 to USD 108.0bn by 2032, resulting in an annual growth rate of 5.2%. This growth is due to increased industrial activities and the need for efficient fluid handling, which is essential for minimizing downtime and reducing maintenance costs. Analyst Group estimates an increase of Kongsberg’s sales from NOK 478.6m in 2023 to NOK 689.9m by 2025 and NOK 1,194.0m by 2028, outpacing the underlying market growth. This is estimated to be driven by Kongsberg’s investment in automation technologies and expansion into key markets such as China and India.

Focus on Core-Business Enable Higher Margins

Kongsberg is improving efficiency and profitability by selling non-core businesses, moving production to lower-cost regions, and reducing the number of factories. In 2023, Kongsberg started using automated manufacturing processes and robotics in key production lines to cut labor costs and increase output. These steps are expected to lower production costs by 15.8% by 2026, resulting in an estimated EBITDA margin increase from 1.3% in 2023 to 8.5% by 2026, when Kongsberg is estimated to have completed the integrations of these changes. In tandem with improved EBITDA margin, divestment of non-core businesses is set to reduce CAPEX from 5% in 2023 to 4% from 2024 onwards, with an estimated improvement of free cash flow from NOK -86.6.m in 2023 to NOK 117.7m by 2026.

VALUATION RANGE

Bear
NOK 1.1

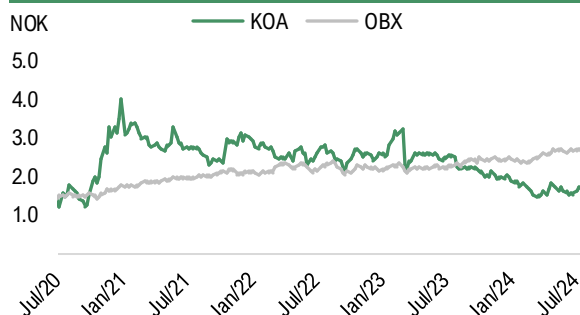
Base
NOK 2.0

Bull
NOK 3.8

KEY INFORMATION

Share Price (2024-08-21)	1.4
Shares Outstanding	1,055
Market Cap (NOKm)	1,321
Net cash(-)/debt(+) (NOKm)	1,333
Enterprise Value (NOKm)	2,654
List	Oslo Stock Exchange
Quarterly report 3 2024	2024-10-24

SHARE PRICE DEVELOPMENT



OWNERS (THE COMPANY: 2024-08-22)

Morgan Stanley	21.1%
Saxo Bank A/S	4.1%
Nordnet Bank AB	3.6%
Kongsberg Automotive ASA	2.3%
Citibank	1.6%

Estimates (NOKm)	2023A	2024E	2025E	2026E
Revenue	10,088.6	10,206.6	10,420.8	10,795.9
COGS	-4,844.3	-4,705.2	-4,762.3	-4,912.1
Gross Profit	5,261.3	5,501.3	5,658.5	5,883.8
Gross Margin	52.1%	53.9%	54.3%	54.5%
Operating Costs	-5,111.7	-4,695.6	-4,794.9	-4,966.5
EBITDA	150.5	806.3	917.7	954.4
EBITDA Margin	1.3%	7.9%	8.3%	8.5%
P/S	0.2x	0.2x	0.2x	0.2x
EV/S	0.3x	0.3x	0.3x	0.3x
EV/EBITDA	5.4x	3.5x	3.2x	3.0x
EV/EBIT	-11.3x	6.3x	5.4x	5.1x

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Other

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