

Kleos Space S.A.

Australia / New space
 Australian Securities Exchange
 Bloomberg: KSS AU
 ISIN: AU0000015588

FY 2022 results
 & business update

RATING
BUY

PRICE TARGET
AUD 0.50

Return Potential 316.7%
 Risk Rating High

FY 2022 RESULTS ROUGHLY AS EXPECTED, KSF1 IN COMMERCIAL OPERATION

Kleos Space SA (Kleos) has reported FY 2022 financial results which were overall slightly better than our estimates. Revenues increased by 117% to €272k, (FBe: €107k; 2021: €126k). EBITDA was €-10.5m (FBe: €-10.7m; 2021: €-4.6m). EBIT amounted to €-11.3m (FBe: €-11.4m; 2021: €5.4m). The net result came in at €-7.3m, substantially better than our projection of €-11.7m (2021: €-6.4m), chiefly due to a €4.3m noncash gain on financial derivatives. The gain resulted from warrants losing value due to Kleos' sharp share price decline from €0.75 at YE 2021 to €0.20 at YE 2022. The net result adjusted for this non-cash item was €-11.6m, and so slightly better than our forecast. Kleos also completed the previously announced capital increase. It raised AUD 2.4m at AUD 0.18 p/s, an amount slightly below the targeted AUD 3m. Importantly, the Vigilance Mission cluster (KSF1) has entered the operational and commercial stage. Kleos started delivering daily data to customers on 17 February, including the data owing to early adopter customers from the 2022 contracts in connection with the €900k deferred revenue. This amount was recognised as revenue in February 2023. We believe this is excellent news and represents a key milestone for Kleos. Patrol Mission (KSF2) is undergoing commissioning. Unfortunately, KSF2 is now not expected to begin operations until the end of July, ~4 months later than previously scheduled. Observer Mission (KSF3) should be operational during H2 2023 as planned. In addition, the US National Reconnaissance Office (NRO) has awarded Kleos a contract extension to participate in the second stage of their programme to evaluate the company's radio frequency (RF) intelligence capabilities. The main goals of this new stage are that Kleos can 1) demonstrate the accuracy of its RF geolocation data and 2) explore ways of upscaling its capabilities to meet the intelligence needs of the US government and its international partners. The agency will also purchase RF data during the programme. Following the reported 2022 figures, and the new delay in commissioning KSF2, we have adjusted our estimates. Our DCF model yields a lower price target of AUD 0.50 (old: AUD 1.00). Our Buy rating remains unchanged.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022	2023E	2024E
Revenue (€m)	0.60	0.18	0.13	0.27	3.50	14.30
Y-o-y growth	n.a.	n.a.	n.a.	1.2%	1186.6%	308.6%
EBIT (€m)	-3.27	-3.61	-5.36	-11.30	-9.35	-6.18
EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net income (€m)	-3.50	-4.87	-6.37	-7.31	-10.03	-6.81
EPS (diluted) (€)	-0.03	-0.03	-0.04	-0.04	-0.04	-0.02
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-5.95	-4.67	-9.64	-7.74	-11.64	-7.33
Net gearing	43.8%	-61.8%	-46.2%	13.9%	205.8%	81.4%
Liquid assets (€m)	0.29	10.79	5.79	1.76	1.07	1.25

RISKS

Risks include, but are not limited to technological risk, execution risk, financing risk, shareholder dilution, loss of key personnel, competition risks, economic risk, commercial and government contracting risk.

COMPANY PROFILE

Kleos is a "new space" defence intelligence technology specialist with operations in Luxembourg, the US and UK. The company operates nano-satellites in space to collect radio transmissions (RF data) in key areas of interest around the globe. The RF data is processed through Kleos' proprietary technology platform to deliver intelligence products to its customers.

MARKET DATA

As of 14 Apr 2023

Closing Price	AUD 0.12
Shares outstanding	190.58m
Market Capitalisation	AUD 22.87m
52-week Range	AUD 0.11 / 0.66
Avg. Volume (12 Months)	121,348

Multiples	2022	2023E	2024E
P/E	n.a.	n.a.	n.a.
EV/Sales	83.3	6.5	1.6
EV/EBIT	n.a.	n.a.	n.a.
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2022

Liquid Assets	€ 1.76m
Current Assets	€ 2.88m
Intangible Assets	€ 0.79m
Total Assets	€ 7.50m
Current Liabilities	€ 2.63m
Shareholders' Equity	€ 5.18m

SHAREHOLDERS

LTL Capital	16.8%
Magna Parva (founders)	14.1%
Cameron Family Holdings	10.9%
Management/Board	5.5%
Free Float	52.7%



CLUSTER SATELLITES AND BUSINESS UPDATE

KSF1 is operating and commercialising RF data to its customers – €900k deferred revenue recognised as revenue

On 17 February 2023, the two-satellite cluster KSF1 reached the commercial operation stage, and shortly after, it delivered all the required RF data from its LOCATE geospatial intelligence product to its customers and was able to recognise its €900k deferred revenue as revenue. This is a key milestone for Kleos; KSF1 can progressively ramp up revenue generation over the coming months. The two other KSF1 satellites with technical issues may join the cluster at a later time (FBe: H1 2022); although one of them seems unlikely, given that KSF1-C's value has been written off. We note that the KSF1 satellites have a remaining life of only 1.5 years (vs the original plan of 3-5 years) since they are flying too low, leading to faster degradation which can no longer be corrected.

KSF2 is anticipated to become operational by the end of July (previously: end of March)

The three-satellite cluster KSF2 is still undergoing commissioning, and it is scheduled to start operations by the end of July - later than previously anticipated. We believe the satellite manufacturer has prioritised solving the problems in KSF1's malfunctioning satellites before it completes the commissioning of KSF2 and KSF3. The other KSF2 satellite, KSF2-B, had a technical issue and may not join the cluster. Kleos has written it off.

KSF3 is being commissioned – expected to be operational in H2 2023

The KSF3 satellites launched on the Transporter-6 SpaceX mission from the Cape Canaveral Space Force Station in Florida on 3 January 2023. These are the company's most advanced satellites. They are in commissioning and are expected to be operational in H2 2023.

Figure 1: Overview of Kleos' satellite clusters

Mission Name	Designation	Launch Date	Data Collection Capacity in Million km ² / Day	15-Degree Latitude "Area of Interest" Avg Daily Revisits	# of Satellites Functioning	Status
Scouting Mission	KSM1	07-Nov-20	down from 15 to 0	2.1	0	shut down since Aug. 2022 - irreparable technical failure
Vigilance Mission	KSF1	29-Jun-21	119	3.4	2	launched, operating since 17 February 2023
Patrol Mission	KSF2	04-Apr-22	238	4.7	3	launched, planned to operate by the end of July 2023
Observer Mission	KSF3	03-Jan-23	357	6.0	4	launched, planned to operate in H2 2023

Source: First Berlin Equity Research, Kleos Space SA

The US National Reconnaissance Office (NRO) extended its contract with Kleos and entered stage two of their programme

In October last year, the US NRO awarded Kleos a contract under the Strategic Commercial Enhancements Broad Agency Announcement (SCE BAA) Framework to evaluate the company's RF intelligence capabilities. Following a successful completion of the pilot stage of the contract, the US agency has now awarded Kleos a contract extension to participate in the second stage that will last about two years. Kleos will collect and deliver its RF geolocation data to the agency's end-users for assessment of its accuracy over land and water, as well as the end-to-end latency of the overall architecture (the time it takes for data to arrive and be processed on the ground). The NRO has also exercised an option for future purchases of RF data and products to support extended development and experimentation. During this stage, Kleos will also explore ways to upscale its capabilities to meet the intelligence needs of the US government and its international partners. We note that Kleos and its peer Spire Global are the two companies out of six originally participating in the NRO's SCE BAA Framework that have reached this next stage. Kleos excels in its capabilities of accurately geolocating RF data. Spire operates a constellation of >100 multipurpose satellites that monitor RF signals, including 40 satellites capable of tracking GPS jamming events.



FINANCIAL RESULTS AND FORECASTS

2022 P&L results Group revenue came in at €272k, above our projection of €107k (2021: €126k). COGS amounted to €-397k (FBe; €-37k), leading to a negative gross profit of €-125k (FBe: €70k). The COGS position reflects rental cost for the ground station as well as for the cloud service to manage and process the data on the platform. We believe that COGS may have a fixed component, which in 2022 was a large figure compared to the low sales level, and a variable component. This would explain the negative gross profit. The company reported OPEX of €5.9m which was below our estimate of €6.4m. While the company spent less than we projected in G&A (2022: €1.8m vs FBe: €2.1m) and R&D (2022: €3.4k vs FBe: €450k), personnel expenses were higher than anticipated (2022: €4.1m vs FBe: €3.8m). Kleos reported a non-cash impairment of €4.5m (FBe: €4.4m) to account for the technical anomalies seen in KSM1 (irreparable technical failures, the entire cluster is being de-orbited and is written off) and one satellite in each of the KSF1 (problem satellite: KSF1-C) and KSF2 (problem satellite: KSF2-B) clusters. EBITDA came in at €-10.5m (FBe: €-10.7m; 2021: €-4.6m) and EBIT at €-11.3m (FBe: €-114m; 2021: €-5.4m). The company booked a €4.3m non-cash gain on derivatives. The gain resulted from warrants losing substantial value due to Kleos' sharp share price decline from €0.75 by YE 2021 to €0.20 by YE 2022. At present, all warrants are out of the money. Due to the non-cash gain, the reported net result of €-7.3m was substantially stronger than our projection of €-11.7m (2021: €-6.4m). Adjusted for this non-cash item, the net result amounted to €-11.6m, slightly better than our forecast. The reported net loss per share for the period was €-0.04 (FBe: €-0.07; 2021: €-0.04). We give an overview of the main P&L positions in figure 2.

Figure 2: P&L 2022 reported figures vs FB estimates and 2021 (KPIs)

All figures in €000s	FY 2022	FY 2022E	Delta	FY 2021	Delta
Revenues	272	107	154%	126	117%
COGS	-397	-37	-	0	-
Gross profit	-125	70	-	126	-
OPEX	-5,858	-6,350	-	-4,717	-
Impairment of assets	-4,483	-4,395	-	0	-
EBITDA	-10,466	-10,675	-	-4,591	-
Depreciation and amortisation	-833	-770	-	-769	-
EBIT	-11,299	-11,445	-	-5,360	-
Net financial result	-156	-246	-	-284	-
Change in FV of financial derivatives	4,315	0	-	-722	-
EBT	-7,139	-11,691	-	-6,366	-
Taxes	-170	0	-	-2	-
Net result	-7,309	-11,691	-	-6,368	-
EPS (diluted)	-0.04	-0.07	-	-0.04	-

Source: First Berlin Equity Research, Kleos Space SA

Revising financial forecasts following KSF2 commissioning update and 2022 results

In the light of Kleos' updated guidance on Patrol Mission – KSF2, which entails a ~4 month delay in starting operations, we have lowered our sales forecasts for 2023 to €3.5m (previously: €8.7m). Besides pushing back the initiation of operations and sales generation for KSF2, we now assume a more conservative sales ramp-up of all three clusters in 2023-2025. We still expect that KSF1 will cease operations by mid-2024, we now estimate that the company will achieve slightly lower revenues of €14.3m in 2024 (previously: €15.0m). Chiefly due to Kleos' weak cash position, we have pushed back the purchase and launch of a new cluster, and now anticipate its first revenue by Q3 2025 (previously: early 2025). In our model, this new four-satellite cluster KSF4 will be the first one to be split into two cash-generating units of two satellites each. The delayed start of operations and a more conservative sales ramp-up expectation for this cluster cause us to lower our 2025 group revenue forecast to €13.1m (previously: €25.0m). We note that 2024 will still benefit from



solid revenue from KSF1, which we do not expect KSF4 to match, resulting in weaker 2025 revenues compared to the previous year. Starting in 2025, we expect one new cluster launch every 12 months. We thus anticipate that revenue growth will gain momentum in 2026. We have increased our 2023-2025 personnel expense assumptions based on the upward trend seen in 2022. All these changes lead to lower EBITDA, EBIT and net income. We have summarised our changes for 2023-2025 in figure 3 below.

Figure 3: Change to our FY 2023-2025 financial forecasts (KPIs)

Figures in €m	2023E			2024E			2025E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	8.7	3.5	-60%	15.0	14.3	-5%	25.0	13.1	-48%
EBITDA	-1.8	-7.3	-	2.2	-1.9	-	9.3	-4.9	-
margin	-	-	-	14.7%	-	-	37.3%	-	-
EBIT	-3.8	-9.4	-	-2.1	-6.2	-	5.6	-6.9	-
margin	-	-	-	-	-	-	22.3%	-	-
Net Income	-4.5	-10.0	-	-2.7	-6.8	-	4.9	-7.3	-
EPS (€)	-0.01	-0.04	-	0.01	-0.02	-	-0.05	-0.02	-

Source: First Berlin Equity Research estimates

2022 balance sheet – tight cash position, runway into Q2 2023 Kleos reported a lower cash position of €1.8m (FBe: €2.0m), down from €5.8m in FY/21. Following an announcement on 31 January of an agreed capital increase of AUD 3m (15m CDIs in shares at AUD 0.20 p/s), the amount raised in February of AUD 2.4m (13.3m CDIs at AUD 0.18 p/s) was slightly below the previously announced figure. Given Kleos' quarterly average burn rate of ~€1.9-2.0m (operating CF and CAPEX) seen in 2022, the proceeds extend the cash runway into Q2 2023. Management is under pressure to deliver revenue and cash flow with the operating cluster KSF1 and KSF2 which is scheduled to start operating by the end of July (previous guidance: end of March). In our view, these two clusters will need some ramp-up time and won't generate enough revenue in the near term to cover costs, Kleos will thus need to conduct a capital increase. Management plans to hold an AGM in April to obtain authorisation to raise additional money. The company intends to raise at least €4.2m in two tranches (source: financial statements, note 2). We estimate Kleos' 2023 financing requirement through stock placement exceeds €8m (see our cash flow projection). Equity declined to €5.2m (2021: €12.2m), corresponding to an equity ratio of 50% (2021: 72%). Other important developments on the balance sheet were:

- 1) Property, plant & equipment declined to €6.5m (2021: €9.4m), chiefly due to the impairment of the entire KSM1 cluster and the two satellites from KSF1 and KSF2;
- 2) Other current liabilities declined from €3.9m in 2021 to €2.2m in 2022. Within these numbers, derivative liabilities (warrants) fell from €3.3m in 2021 to €2.2m due to Kleos' sharp share price decline, whereas a deferred revenue liability of €0.9m in connection with RF data contracts paid in advance by customers (the RF data delivery was pending) was booked for the first time in 2022. Once KSF1 started operating and the data was delivered, the deferred revenue was recognised as revenue in March 2023.
- 3) Long-term debt increased from €74k in 2021 to €24m in 2022 and relates chiefly to the loan facility granted by Pure Asset Management Pty Ltd.

2022 cash flow Net operating cash flow came in at €-4.7m (2021: €-5.1m). Cash flow from investment activities declined to €-3.0m (2021: €-45m). This position chiefly reflects an investment of €2.4m in new satellite clusters (2021: €-4.2m) and €631k in intangible assets (2021: €-299k) related to capitalised development costs. Financing cash flow declined to €3.7m (2021: €4.5m).



VALUATION MODEL

Unchanged Buy rating at lower price target Kleos recently achieved a significant milestone with the start of operations and revenue generation by the two-satellite KSF3. This is excellent news and raise hopes for the company's future prospects. Unfortunately, the ~4 month delay in the start of operations by the three-satellite KSF2 cluster, our more conservative revenue ramp-up expectation for the KSF1-KSF3 clusters and our anticipated later purchase, launch and start of revenue generation of the fourth cluster have caused us to lower our 2023-2025 group revenue projections, which coupled with rising personnel expenses also lead to lower net result figures. Following these changes, we have updated our DCF model. We have also considered the negative impact of an anticipated increase in share dilution for future financing activities due to the recent share price decline. Our DCF model now yields a price target of AUD 0.50 (previously: AUD 1.00). Our Buy rating remains unchanged. We note however, that management is under enormous pressure to generate revenue and rapidly execute its RF data commercialisation strategy given the company's tight cash position with a runway stretching only into Q2 2023. Thus, Kleos needs to raise funds soon, which could be somewhat challenging in the current capital market environment.

Figure 4: DCF model

DCF valuation model		2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EUR '000									
Net sales		3,501	14,304	13,111	23,705	34,800	45,000	54,045	63,380
NOPLAT		-9,354	-6,177	-6,860	-186	6,305	14,126	19,992	27,418
+ depreciation & amortisation		2,050	2,500	3,000	2,800	2,800	3,000	3,710	3,821
Net operating cash flow		-7,304	-3,677	-3,860	2,614	9,105	17,126	23,701	31,239
- total investments (CAPEX and WC)		-3,589	-3,650	-3,746	-2,743	-3,909	-3,374	-4,477	-4,202
Capital expenditures		-4,200	-3,300	-3,396	-3,495	-3,597	-3,702	-3,810	-3,821
Working capital		611	-350	-350	752	-312	328	-667	-381
Free cash flows (FCF)		-10,893	-7,327	-7,606	-129	5,196	13,752	19,225	27,037
PV of FCF's		-9,717	-5,565	-4,922	-71	2,440	5,500	6,550	7,848

All figures in thousands	
PV of FCFs in explicit period (2023E-2036E)	56,762
PV of FCFs in terminal period	40,824
Enterprise value (EV)	97,586
+ Net cash / - net debt (pro forma)	30,479
+ Investments / minority interests	0
Shareholder value (EUR)	128,065
Shareholder value (AUD)	209,297
Diluted shares outstanding (pro forma)	414,870
Fair value per share in EUR	0.31
Fair value per share in AUD	0.50

WACC		Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
WACC	17.4%	13.4%	14.4%	15.4%	16.4%	17.4%	18.4%	19.4%	20.4%
Cost of equity	17.4%	0.77	0.68	0.61	0.54	0.49	0.44	0.40	0.37
Pre-tax cost of debt	10.0%	0.78	0.69	0.61	0.55	0.49	0.45	0.41	0.37
Tax rate	25.0%	0.80	0.70	0.62	0.56	0.50	0.45	0.41	0.37
After-tax cost of debt	7.2%	0.81	0.71	0.63	0.56	0.50	0.45	0.41	0.37
Share of equity capital	100.0%	0.83	0.73	0.64	0.56	0.51	0.46	0.42	0.38
Share of debt capital	0.0%	0.85	0.74	0.65	0.57	0.51	0.46	0.42	0.38
Price target in AUD	0.50	0.87	0.76	0.67	0.59	0.52	0.47	0.42	0.39

FX rate: 1 EURO = 1.63 AUD

* for layout purposes the model shows numbers only to 2030, but runs until 2036



INCOME STATEMENT

EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
Revenues	176	126	272	3,501	14,304	13,111
Cost of goods sold	0	0	397	385	1,430	1,180
Gross profit	176	126	-125	3,116	12,873	11,931
S&M	0	0	0	-1,200	-1,600	-2,200
G&A	-1,299	-1,557	-1,811	-2,300	-2,750	-3,450
R&D	-496	-239	-3	-1,400	-1,950	-2,420
Personnel costs	-1,286	-2,964	-4,147	-5,520	-8,500	-8,755
Other operating income	0	165	183	0	0	0
Other operating expenses	-659	-122	-79	0	0	0
Impairment of assets	0	0	-4,483	0	0	0
EBITDA	-3,564	-4,591	-10,466	-7,304	-1,927	-4,894
Depreciation and amortisation	-43	-769	-833	-2,050	-4,250	-1,967
Operating income (EBIT)	-3,607	-5,360	-11,299	-9,354	-6,177	-6,860
Net financial result	-1,261	-284	-156	-680	-631	-409
Change in FV of financial derivatives	0	-722	4,315	0	0	0
Pre-tax income (EBT)	-4,868	-6,366	-7,139	-10,034	-6,808	-7,269
Income taxes	1	-2	-170	0	0	0
Net income / loss	-4,867	-6,368	-7,309	-10,034	-6,808	-7,269
Diluted EPS (in €)	-0.03	-0.04	-0.04	-0.04	-0.02	-0.02

Ratios

Gross margin	100.0%	100.0%	-45.8%	89.0%	90.0%	91.0%
EBITDA margin on revenues	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT margin on revenues	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net margin on revenues	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tax rate	0.0%	0.0%	2.4%	0.0%	0.0%	0.0%

Expenses as % of revenues

S&M	0.0%	0.0%	0.0%	34.3%	11.2%	16.8%
G&A	737.0%	1240.0%	665.6%	65.7%	19.2%	26.3%
R&D	32.7%	32.7%	32.7%	32.7%	32.7%	281.7%
Personnel costs	729.8%	2361.2%	1524.2%	157.7%	59.4%	66.8%
Depreciation and amortisation	24.5%	612.5%	306.1%	58.6%	29.7%	15.0%
Other operating expenses	-374.1%	-97.3%	-29.2%	0.0%	0.0%	0.0%

Y-Y Growth

Revenues	-70.7%	-28.8%	116.8%	1186.6%	308.6%	-8.3%
Operating income	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net income/ loss	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.



BALANCE SHEET

EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
Assets						
Current assets, total	11,437	7,071	2,878	1,722	2,446	3,039
Cash and cash equivalents	10,788	5,785	1,760	1,072	1,246	1,139
Short-term investments	0	0	0	0	0	0
Receivables	649	1,285	1,118	650	1,200	1,900
Inventories	0	0	0	0	0	0
Non-current assets, total	5,467	9,813	7,501	7,193	9,024	9,827
Property, plant & equipment	5,467	9,374	6,531	6,124	8,054	8,757
Goodwill & other intangibles	0	299	795	895	795	895
Other assets	0	139	175	175	175	175
Total assets	16,904	16,883	10,379	8,916	11,469	12,866
Shareholders' equity & debt						
Current liabilities, total	5,047	4,497	2,633	2,029	1,933	2,283
Short-term debt	3,466	73	37	37	37	37
Accounts payable	423	485	407	550	750	1,100
Other current liabilities	1,158	3,939	2,189	1,442	1,146	1,146
Long-term liabilities, total	0	183	2,566	5,013	5,013	5,013
Long-term debt	0	74	2,444	4,891	4,891	4,891
Other liabilities	0	109	122	122	122	122
Shareholders' equity	11,857	12,203	5,181	1,874	4,523	5,570
Total consolidated equity and debt	16,904	16,883	10,379	8,916	11,469	12,866
Ratios						
Current ratio (x)	2.27	1.57	1.09	0.85	1.27	1.33
Quick ratio (x)	2.27	1.57	1.09	0.85	1.27	1.33
Net debt	-7,322	-5,639	720	3,856	3,682	3,789
Net gearing	-61.8%	-46.2%	13.9%	205.8%	81.4%	68.0%
Equity ratio	70.1%	72.3%	49.9%	21.0%	39.4%	43.3%
Book value per share (in €)	0.07	0.07	0.03	0.01	0.01	0.02
Return on equity (ROE)	-41.0%	-52.2%	-141.1%	-535.6%	-150.5%	-130.5%



CASH FLOW STATEMENT

EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
EBIT	-3,607	-5,360	-11,299	-9,354	-6,177	-6,860
Depreciation and amortisation	43	769	833	2,050	2,500	3,000
EBITDA	-3,564	-4,591	-10,466	-7,304	-3,677	-3,860
Changes in working capital	-1,805	-2,603	381	611	-350	-350
Other adjustments	1,860	2,049	5,385	-747	0	0
Operating cash flow	-3,509	-5,145	-4,699	-7,440	-4,027	-4,210
Investments in PP&E	-1,158	-4,196	-2,406	-4,100	-3,200	-3,296
Investments in intangibles	0	-299	-635	-100	-100	-100
Free cash flow	-4,667	-9,640	-7,740	-11,640	-7,327	-7,606
Acquisitions & disposals, net	0	0	0	0	0	0
Other investments	0	0	0	0	0	0
Investment cash flow	-1,158	-4,495	-3,041	-4,200	-3,300	-3,396
Debt financing, net	1,252	-3,320	3,751	2,448	0	0
Equity financing, net	13,946	7,956	0	8,505	7,500	7,500
Other financing	-37	0	-57	0	0	0
Financing cash flow	15,161	4,636	3,722	10,953	7,500	7,500
FOREX & other effects	1	1	-7	0	0	0
Net cash flows	10,495	-5,003	-4,025	-688	173	-106
Cash, start of the year	293	10,788	5,785	1,760	1,072	1,246
Cash, end of the year	10,788	5,785	1,760	1,072	1,246	1,139
EBITDA/share (in €)	-0.02	-0.03	-0.06	-0.03	-0.01	-0.02
Y-Y Growth						
Operating cash flow	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Free cash flow	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA/share	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.

Imprint / Disclaimer

First Berlin Equity Research

First Berlin Equity Research GmbH ist ein von der BaFin betreffend die Einhaltung der Pflichten des §85 Abs. 1 S. 1 WpHG, des Art. 20 Abs. 1 Marktmissbrauchsverordnung (MAR) und der Markets Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Durchführungsverordnung und der Markets in Financial Instruments Regulations (MiFIR) beaufsichtigtes Unternehmen.

First Berlin Equity Research GmbH is one of the companies monitored by BaFin with regard to its compliance with the requirements of Section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) Market Abuse Regulation (MAR) and Markets in Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Commission Delegated Regulation and Markets in Financial Instruments Regulations (MiFIR).

Anschrift:

First Berlin Equity Research GmbH
Friedrichstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

First Berlin Equity Research GmbH

Authored by: Christian Orquera, Analyst

All publications of the last 12 months were authored by Christian Orquera.

Company responsible for preparation: First Berlin Equity Research GmbH, Friedrichstraße 69, 10117 Berlin

The production of this recommendation was completed on 17 April 2023 at 12:35

Person responsible for forwarding or distributing this financial analysis: Martin Bailey

Copyright© 2023 First Berlin Equity Research GmbH No part of this financial analysis may be copied, photocopied, duplicated or distributed in any form or media whatsoever without prior written permission from First Berlin Equity Research GmbH. First Berlin Equity Research GmbH shall be identified as the source in the case of quotations. Further information is available on request.

INFORMATION PURSUANT TO SECTION 85 (1) SENTENCE 1 OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO ART. 20 (1) OF REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO ART. 37 OF COMMISSION DELEGATED REGULATION (EU) NO 2017/565 (MIFID) II.

First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and art. 37 of Commission Delegated Regulation (EU) no. 2017/565 (MiFID II) into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

CONFLICTS OF INTEREST

In accordance with art. 37 (1) of Commission Delegated Regulation (EU) no. 2017/565 (MiFID) II and art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) investment firms which produce, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public, under their own responsibility or that of a member of their group, shall ensure the implementation of all the measures set forth in accordance with Article 34 (2) lit. (b) of Regulation (EU) 2017/565 in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated. In accordance with art. 34 (3) of Regulation (EU) 2017/565 the procedures and measures referred to in paragraph 2 lit. (b) of such article shall be designed to ensure that relevant persons engaged in different business activities involving a conflict of interests carry on those activities at a level of independence appropriate to the size and activities of the investment firm and of the group to which it belongs, and to the risk of damage to the interests of clients.

In addition, First Berlin shall pursuant to Article 5 of the Commission Delegated Regulation (EU) 2016/958 disclose in their recommendations all relationships and circumstances that may reasonably be expected to impair the objectivity of the financial analyses, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them under a contract, including a contract of employment, or otherwise, who was involved in producing financial analyses, concerning any financial instrument or the issuer to which the recommendation directly or indirectly relates.

With regard to the financial analyses of Kleos Space S.A. the following relationships and circumstances exist which may reasonably be expected to impair the objectivity of the financial analyses: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Kleos Space S.A. for preparation of a financial analysis for which remuneration is owed.

Furthermore, First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of interest:

- The author, First Berlin, or a company associated with First Berlin owns a net long or short position exceeding the threshold of 0.5 % of the total issued share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;

- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

First Berlin F.S.B. Investment-Beratungsgesellschaft mbH (hereafter FBIB), a company of the First Berlin Group, holds a stake of under 0.5% of the shares in the company which has been covered in this analysis. The analyst is not subject to any restrictions with regard to his recommendation and is therefore independent, so that we believe there is no conflict of interest.

With regard to the financial analyses of Kleos Space S.A. the following of the aforementioned potential conflicts of interests or the potential conflicts of interest mentioned in Article 6 paragraph 1 of the Commission Delegated Regulation (EU) 2016/958 exist: The author, First Berlin, or a company associated with First Berlin reached an agreement with the Kleos Space S.A. for preparation of a financial analysis for which remuneration is owed.

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).

First Berlin notes that it has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfils the requirements of section 64 WpHG for minor non-monetary benefits.

PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	2 May 2019	AUD0.26	BUY	AUD0.43
2...6	↓	↓	↓	↓
7	11 November 2021	AUD0.71	BUY	AUD5.00
8	8 February 2022	AUD0.65	BUY	AUD2.70
9	11 March 2022	AUD0.55	BUY	AUD2.60
10	9 May 2022	AUD0.58	BUY	AUD2.60
11	8 September 2022	AUD0.32	BUY	AUD1.60
12	10 October 2022	AUD0.33	BUY	AUD1.60
13	21 November 2022	AUD0.23	BUY	AUD1.60
14	15 February 2023	AUD0.20	BUY	AUD1.00
15	Today	AUD0.12	BUY	AUD0.50

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

EXCLUSION OF LIABILITY (DISCLAIMER)

RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

RELIABILITY OF ESTIMATES AND FORECASTS

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

NO OBLIGATION TO UPDATE

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

DUPLICATION

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

SEVERABILITY

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

APPLICABLE LAW, PLACE OF JURISDICTION

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

NOTICE OF DISCLAIMER

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

QUALIFIED INSTITUTIONAL INVESTORS

First Berlin financial analyses are intended exclusively for qualified institutional investors.

This report is not intended for distribution in the USA and/or Canada.