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Company Comment	IT/Technology	Sweden	08 January 2025
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Nordic Seminar: A question of when, rather than if

At SEB's Nordic Seminar, Gapwaves CEO Jonas Ehinger highlighted solid momentum in automotive in particular. Despite losing tier one automotive supplier Bosch as a customer, Gapwaves has grown its list of tier one suppliers in recent years, with orders from both US and Asian tier ones in recent months, as well a recent contract expansion with Smartmicro. We think Gapwaves looks poised for further growth, with or without Bosch, as high-resolution radar continues to grow.

Strong traction in automotive, with or without Bosch

As previously highlighted, Bosch discontinued its joint development agreement for a high-resolution radar sensor in late November 2024. We believe that this is an effect of Bosch having weak traction with certain German OEMs, who are facing a weak automotive market. However, Gapwaves does not see this reflecting the broader market, where it is seeing good traction. This is shown through both tier one supplier Valeo accelerating its planned start of production of its radar sensor, developed jointly with Gapwaves, to 2025 as well as new orders from an undisclosed Asian tier one and a US tier one. Recently, Gapwaves also announced a contract expansion with Smartmicro, in which Gapwaves will utilise supply Smartmicro with an already developed Gapwaves antenna for use in Smartmicro's imaging radar sensors, which will be used by a US automotive OEM. This agreement is said to have an expected lifetime sales value of c. SEK 90m, starting from Q1/25 and ramping up gradually from there. Our impression is that a fuller run-rate from this agreement will be shown in 2026-27, rather than in 2025.

A question of when, rather than if

CEO Jonas Ehinger highlighted how Gapwaves is one of two suppliers of high-resolution radar antennas, using waveguide technology, and the clear technology leader in the field. He said Gapwaves' antennas are more efficient to produce, more robust and slimmer compared to its closest competitor. As the automation of vehicles gradually increases and more radar sensors are required per vehicles, driven both by consumer demands and legislation, Gapwaves is well positioned to benefit from this, we believe. While the current weakness in the automotive industry might slow things down in this shift, as made evident by the discontinuation of the Bosch agreement, we believe it is a question of when automotive OEMs will start utilising more radar sensors, rather than if. One of the main driving factors behind this is legislation, rather than consumer demands. Gapwaves looks well positioned to capitalise on this, in our view. Furthermore, its recent investment in its pilot production line in Gothenburg was highlighted as an important factor in convincing automotive OEMs on the quality of its product and the ability to manufacture these in high volumes with good yields.

Gapwaves versus the competition in high-performance waveguide antennas



Source: Gapwaves

Key figures

(SEKm)	2023	2024E	2025E	2026E
Revenues (m)	34	71	93	204
Adj. EBIT	(71)	(55)	(49)	21
PTP (m)	(69)	(53)	(47)	21
EPS	(2.22)	(1.71)	(1.52)	0.52
EPS (adjusted)	(2.22)	(1.71)	(1.52)	0.52
DPS	0.00	0.00	0.00	0.00
Revenue growth (%)	(57.0)	141.6	30.3	126.3
EPS growth (%)	n.a.	n.a.	n.a.	n.a.
Operating margin (%)	(205.9)	(59.5)	(46.7)	9.0
Adj. EBIT margin (%)	n.m	n.m	n.m	10.2
ROCE (%)	(36.8)	(39.9)	(50.5)	20.8
Net Debt/EBITDA (x)	1.4	1.1	0.3	(1.1)
PER (adjusted)	(10.1)	(8.3)	(9.3)	27.2
Dividend yield (%)	0.0	0.0	0.0	0.0
Free Cash Flow Yield (%)	(8.3)	(6.5)	(8.2)	2.6
P/BV (x)	4.5	4.4	8.4	6.4
EV/EBIT (x)	(8.5)	(7.1)	(8.7)	19.7
EV/Sales (x)	22.03	5.84	4.96	2.09

Source: SEB

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