

# ÅAC Microtec

**Aerospace & defence**
**23 August 2018**

## On the launchpad

Following its acquisition of Clyde Space earlier this year, ÅAC appears to have made solid progress in H118. Sales have expanded for the ongoing businesses and the order intake for the whole group looks encouraging. Satellites are being delivered for deployment in H218 and orders for a number of demonstration projects have been received. A global leader in small satellites, it supplies fully integrated missions and platforms as well as subsystems/components to third-party satellite builders and operators. As such, ÅAC remains well positioned to participate in the expected rapid growth of the market over the next decade.

## H1 results robust despite project issues

H118 results included the consolidation of Clyde Space from February, adding SEK24.1m in sales and contributing a net loss of SEK3.2m to the group. The ongoing activities thus generated sales of SEK14.4m, up 65% on H117 (SEK 8.8m), generating a net loss before goodwill depreciation of SEK14.2m (H117 SEK11.5m) implying a modest improvement for the ongoing activities. The group's EBITDA loss was slightly higher in the period at SEK9.3m (H117 SEK8.9m) having been adversely affected by challenges in one of the larger projects in Q218. Management expects the issues to be resolved in the short term. Gross cash at the period end of SEK38.7m was up SEK1.4m as funds raised in Q118 offset a higher operating outflow and the SEK22m cash component of the Clyde deal.

## FY18 guidance maintained

Management has confirmed the first-half performance allows it to reaffirm guidance for FY18. As before, group revenue is expected to reach SEK85m, with a positive EBITDA expected in Q418. With a positive book-to-bill ratio in Q218, the outlook beyond this year also appears to be developing positively. Demonstration projects with two to four small satellites being launched by operators are the current driver of demand, and these are largely for potential future deployments of constellations. During H118 several major orders were announced including additional subsystems for York Space Systems S-CLASS satellites, as well as for operators in Spain, Japan, South America and the Ukraine. Further orders have been received from Japan and Canada since the half year.

## Valuation: Positive EBITDA should be a catalyst

The move to generating a positive EBITDA should focus the market on the potential pace of growth for ÅAC into the next decade. We would still expect the medium-term EV/EBITDA multiple to converge towards the peer group rating of around 10x.

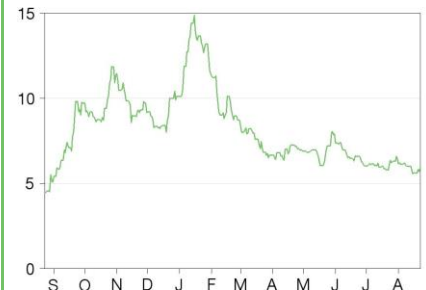
### Consensus estimates

Year end	Revenue (SEKm)	EBITDA (SEKm)	EPS (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/16	26.7	(24.3)	(6.01)	0.0	N/A	N/A
12/17	17.5	(27.1)	(0.85)	0.0	N/A	N/A
12/18e	93.0	(13.0)	(0.87)	0.0	N/A	N/A
12/19e	142.0	9.0	(0.39)	0.0	N/A	N/A

Source: Company reports, Bloomberg consensus estimates (one provider)

**Price** **SEK5.92**  
**Market cap** **SEK407m**

### Share price graph



### Share details

Code **AAC**  
 Listing **Nasdaq FN Stockholm**  
 Shares in issue **68.72m**

### Business description

ÅAC and its subsidiary Clyde Space offer a full turnkey mission service from design to on-orbit operations including customisable, reliable platforms ranging from 1kg-50kg. In addition it supplies a full range of subsystems for cube satellites and small satellites.

### Bull

- An early mover in the small satellite market with strong and established technology and development capabilities from both ÅAC and Clyde.
- Strong demand growth expected as LEO constellations disrupt the established norm.
- Support from Swedish space agency and the commercial approach adopted in the UK.

### Bear

- Adoption and deployment rates so far relatively low, especially in communications markets.
- Launch options still limited and expensive and project delays historically common in space.
- Likely to be a competitive space given the number of CubeSat developers around the globe.

### Analysts

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