



## ERIK PENSER BANK

Penser Access | Aerospace &amp; Defense | Sweden | 31 May 2021

# AAC Clyde Space

## Ever closer to breakeven

### Positive contributions from acquisitions in Q1 2021

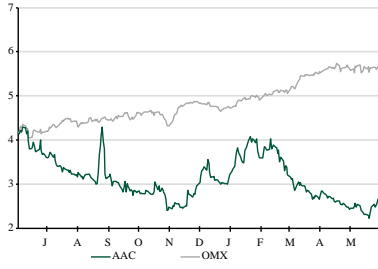
AAC Clyde Space reported EBITDA of SEK -0.5m in Q1 2021, up from SEK -6.2m in Q1 2020. The losses within AAC and Clyde Space are decreasing, while Hyperion contributed a second profit in the quarter and there was also a first positive contribution from SpaceQuest. The recent acquisitions are gradually bringing AAC Clyde Space closer to profitability, which is positive and according to plan.

### Sales target SEK 500m in 2024 and profitability 2022

AAC Clyde Space expects very strong growth going forward, with a sales target of SEK 500m for 2024. This will be driven by organic growth and strategic acquisitions. For reference, our estimate is SEK 325 million in 2023, which does not include further acquisitions. We also still expect positive EBITDA in 2022e.

### Numbers in the black most important share price trigger

We have made minor forecast changes after the report and adjusted for the acquisition of Omnisys and the latest share issue. We see a fair value of SEK 3.60–3.70 per share (3.90–4.00), based on our sales and margin forecasts for 2025 and industry multiples for companies in a profitable phase, discounted to the present.

Estimate Changes (SEK)				Estimates (SEK)				Risk and Potential		
	Now	Before			20	21e	22e	23e	Motivated value	3.60 - 3.70
EPS, adj 21e	-0.13	-0.1	-29.0%	Sales,m	98	205	289	325	Current price	SEK2.67
EPS, adj 22e	-0.06	-0	-2,437.1%	Sales Growth	48.1%	108.6%	40.7%	12.7%	Risk level	High
EPS, adj 23e	-0	0.09	-101.9%	EBITDA, m	(26.8)	(4.5)	14.2	28	<div>One Year Performance Chart</div> 	
<div>Calendar Events</div> <div>Q2 2021August 26</div> <div>Q3 2021November 25</div> <div>Q4 2021February 24, 2022</div>				EBIT, m	(37.5)	(24.6)	(10.6)	0.0		
				EPS, adj	(0.31)	(0.13)	(0.06)	(0.00)		
				EPS Growth	NM%	NM%	NM%	NM%		
				Equity/Share	3.0	3.4	3.3	3.3		
				Dividend	0.00	0.00	0.00	0.00		
<div>Key Figures (mkr)</div> <div>Number of Shares186.4m</div> <div>Market cap497</div> <div>Net Debt(108)</div> <div>EV389</div> <div>Free Float69.00%</div> <div>Avg. No. of Daily Traded Sh.1,406.0(k)</div> <div>Reuters/BloombergAAC.ST/AAC SS</div>				EBIT Marginal	(38.1)%	(12.0)%	(3.7)%	0.0%		
				ROE (%)	(6.9)%	(3.9)%	(1.8)%	(0.0)%		
				ROCE	(6.5)%	(3.8)%	(1.7)%	0.0%		
				EV/Sales	3.95x	1.90x	1.35x	1.20x		
				EV/EBITDA	(14.5)x	(86.7)x	27.4x	13.7x		
				EV/EBIT	(10.4)x	(15.8)x	(36.8)x	27,560.7x		
				P/E, adj	(8.6)x	(20.3)x	(45.3)x	(1,617.4)x		
				P/Equity	0.9x	0.8x	0.8x	0.8x		
				Dividend yield	0.0%	0.0%	0.0%	0.0%		
				FCF yield	(8.8)%	(10.1)%	(1.4)%	2.1%		
				Net Debt/EBITDA	2.3g	23.7g	(7.0)g	(3.9)g		



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# Overview

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### Investment Case

AAC Clyde Space reported year-on-year growth of 55% in Q1 2021, of which 24% was organic. The SpaceQuest and Hyperion acquisitions both contributed positively to EBITDA, which landed at SEK -0.463 million, a clear improvement from SEK -6.3 million in Q1 2020. AAC Clyde Space has a sales target of SEK 500m for 2024, to be driven by both organic growth and strategic acquisitions, and it expects to be profitable (EBITDA) in 2022. The most recent acquisition, Omnisys Instruments (April 2021), is a privately-owned Swedish company active in the development and manufacture of measuring instruments for space projects. Omnisys Instruments had EBITDA of SEK 1.9 million in 2020. Based on the figures for 2020, the acquisition means a price tag of approximately EV/Sales 1.4x and EV/EBITDA 26x. In connection with this, AAC Clyde Space carried out a directed new issue of approximately SEK 100 million. In October, it announced acquisitions of SpaceQuest (USA) and Hyperion Technologies (Netherlands) and simultaneously conducted a directed issue of SEK 52m before transaction costs. Part of SpaceQuest's contribution is to the Space as a Service business, and it has a clear footprint in the US market which has been a stated goal for AAC Clyde Space. Hyperion Technologies is expected to bring an expanded product range, improved R&D and a strengthening of the sales organisation. AAC Clyde Space has also initiated a three-year development project called xSPANCION with the European Space Agency (ESA), to strengthen the company's ability to deliver a constellation of satellites and including production of 10 satellites. The total value of the project is EUR 19.7m, with the UK Space Agency (through the ESA) financing EUR 9.9m. A preliminary design will be prepared in phase 1 during 2021 for a total cost of EUR 1.8m, with EUR 0.9m financed via the ESA and recognised as revenue at AAC Clyde Space without a net margin. In phase 2, the project will continue with the production of ten satellites, four of which will be put into orbit within the framework of the project. The total cost for this phase is EUR 17.9m, with EUR 8.9m financed through the ESA. AAC Clyde Space intends to finance the remaining EUR 8.9m via potential customers who will later use data from the four satellites in orbit within the Space as a Service (SaaS) concept. Assuming SaaS revenues from the first four satellites of approximately SEK 20m per year for 5 years from 2024, and a net margin of 35%, we see an NPV today of approximately SEK 20m from the project. On top of this is the potential from the remaining 6 satellites, which will probably be launched later and where launch costs should also be taken into account.

### Company Profile

AAC Clyde Space specialises in small satellite technologies and services that enable businesses, governments and educational organisations to access high-quality, timely data from space.

The group's growing capabilities bring together three divisions:

- Space Data as a Service – delivering data from space directly to customers
- Space missions – turnkey solutions that empower customers to streamline their space missions
- Space products and components – a full range of off-the-shelf and tailor-made subsystems, components and sensors

AAC Clyde Space aims to become a world leader in commercial small satellites and services from space, applying advances in its technology to tackle global challenges and improve our life on Earth. The Group's main operations are located in Sweden, the United Kingdom, the Netherlands and the USA, with partner



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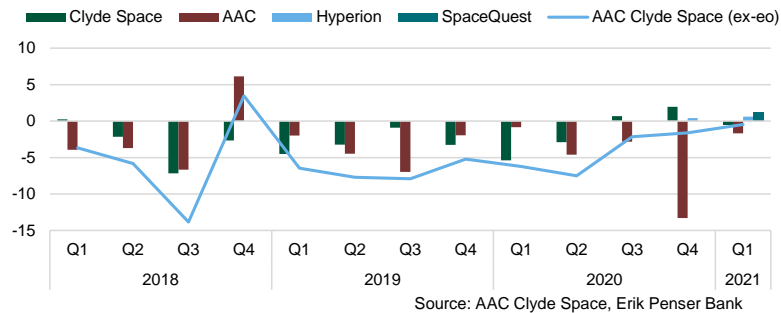
networks in Japan and South Korea. AAC Clyde Space's shares are traded on Nasdaq First North Premier Growth Market. The share is also traded on the US OTCQX Market under the symbol ACCMF.

### Valuation approach

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The valuation of AAC Clyde Space is based on our forecasts up to 2025 and EV/EBITDA multiples, as well as on the relationship between valuation and margins for companies in a profitable phase in the sector, discounted to the present. The fair value today amounts to SEK 3.60–3.70 per share (3.90–4.00), corresponding to a market value of approximately SEK 690 million (590).

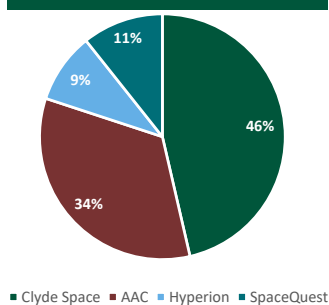
## EBITDA per quarter (SEKm)



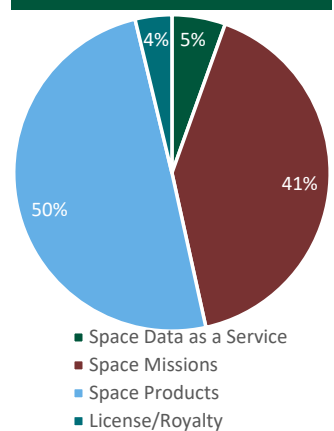
## Company Data

Largest Shareholders (30 april)	Votes	Capital
CBNY Client (SpaceQuest)	12,87%	12,87%
Avanza Pension	7,43%	7,43%
Nordnet Pension	5,08%	5,08%
UBS (W8IMY)	4,54%	4,54%
Others	70,08%	70,08%
Chairman of the Board	Rolf Hallencreutz	
Chief Executive Officer	Luis Gomes	
Chief Financial Officer	Mats Thideman	
Investor Relations	Mats Thideman	
Website	www.aac-clyde.space	

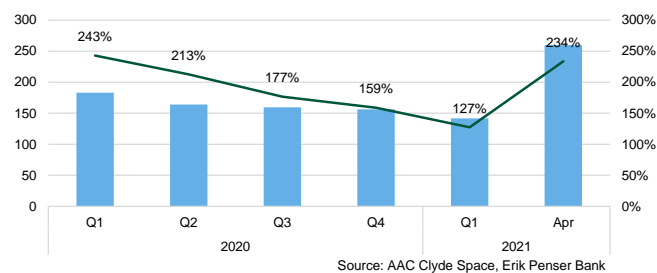
## Sales/segment (Q1'21)



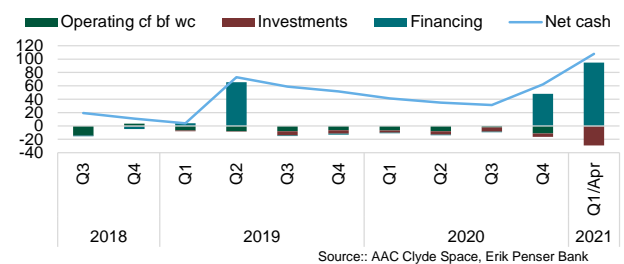
## Sales/product (Q1'21)



## Orderbook (SEKm) vs. 12m sales



## Quarterly cash flows



## Income statement

	2018	2019	2020	2021E	2022E	2023E
Net sales	77,9	66,4	98,4	205,2	288,8	325,4
Work performed by the Company for its own use and capitalised	1,5	3,0	8,3	13,2	16,3	18,7
Other operating income	9,8	11,2	12,7	13,6	13,7	13,7
Raw materials and subcontractors	-31,0	-27,4	-50,3	-100,8	-162,0	-179,6
Personnel costs	-53,2	-51,8	-61,1	-95,4	-99,5	-104,0
Other external expenses	-22,8	-23,7	-19,5	-28,6	-29,6	-32,0
Other operating expenses	-10,7	-5,0	-15,4	-11,6	-13,5	-13,9
<b>EBITDA</b>	<b>-28,5</b>	<b>-27,3</b>	<b>-26,8</b>	<b>-4,5</b>	<b>14,2</b>	<b>28,4</b>
Depreciation/amortisation and impairment of tangible and intangible assets	-14,8	-12,9	-10,7	-20,1	-24,7	-28,4
<b>EBIT</b>	<b>-43,3</b>	<b>-40,2</b>	<b>-37,5</b>	<b>-24,6</b>	<b>-10,6</b>	<b>0,0</b>
Net financial items	-0,3	-0,8	-1,3	-0,3	-0,4	-0,4
<b>EBT</b>	<b>-43,6</b>	<b>-41,0</b>	<b>-38,8</b>	<b>-24,9</b>	<b>-11,0</b>	<b>-0,4</b>
Income tax	0,9	0,5	0,5	0,4	0,0	0,1
<b>Net income</b>	<b>-42,7</b>	<b>-40,6</b>	<b>-38,3</b>	<b>-24,4</b>	<b>-11,0</b>	<b>-0,3</b>

## Balance sheet

	2018	2019	2020	2021E	2022E	2023E
<b>Assets</b>						
Intangible assets	392,6	418,6	494,3	519,3	519,3	519,3
Tangible assets	4,2	18,3	28,8	23,7	14,0	0,6
<b>Total non-current assets</b>	<b>396,8</b>	<b>436,9</b>	<b>523,1</b>	<b>542,9</b>	<b>533,2</b>	<b>519,8</b>
Inventory	6,5	13,1	12,8	26,9	37,8	42,6
Accounts receivable	10,1	17,7	9,5	19,7	27,7	31,2
Other receivables	27,3	25,2	28,4	28,4	28,4	28,4
Cash and cash equivalents	12,2	52,4	62,4	106,8	99,8	110,3
<b>Total current assets</b>	<b>56,2</b>	<b>108,5</b>	<b>113,2</b>	<b>181,8</b>	<b>193,8</b>	<b>212,6</b>
<b>Total assets</b>	<b>453,0</b>	<b>545,4</b>	<b>636,3</b>	<b>724,7</b>	<b>727,0</b>	<b>732,4</b>
<b>Equity and liabilities</b>						
Equity attributable to Parent Company shareholders	412,1	466,1	557,8	629,3	618,4	618,0
<b>Total equity</b>	<b>412,1</b>	<b>466,1</b>	<b>557,8</b>	<b>629,3</b>	<b>618,4</b>	<b>618,0</b>
Liabilities to credit institutions	1,2	0,8	0,3	0,3	0,3	0,3
Other non-current liabilities		11,3	9,3	9,3	9,3	9,3
Deferred tax liabilities	4,1	3,9	9,3	9,3	9,3	9,3
<b>Total non-current liabilities</b>	<b>5,3</b>	<b>15,9</b>	<b>18,8</b>	<b>18,8</b>	<b>18,8</b>	<b>18,8</b>
Accounts payable	11,1	9,8	15,5	32,4	45,6	51,4
Other liabilities	24,6	53,6	44,2	44,2	44,2	44,2
<b>Total current liabilities</b>	<b>35,6</b>	<b>63,4</b>	<b>59,7</b>	<b>76,6</b>	<b>89,8</b>	<b>95,6</b>
<b>Total equity and liabilities</b>	<b>453,0</b>	<b>545,4</b>	<b>636,3</b>	<b>724,7</b>	<b>727,0</b>	<b>732,4</b>

## Cash flow

	2018	2019	2020	2021E	2022E	2023E
EBT	-43,6	-41,0	-38,8	-24,9	-11,0	-0,4
Adjustments for non-cash items	14,8	12,9	10,7	20,1	24,7	28,4
Income taxes paid	0,0	0,0	0,0	0,4	0,0	0,1
<b>Cash flow from operating activities before changes in working capital</b>	<b>-28,8</b>	<b>-28,2</b>	<b>-28,1</b>	<b>-4,3</b>	<b>13,8</b>	<b>28,1</b>
Total changes in working capital	-19,8	12,4	13,6	-7,4	-5,8	-2,5
<b>Cash flow from operating activities</b>	<b>-48,6</b>	<b>-15,7</b>	<b>-14,5</b>	<b>-11,7</b>	<b>8,0</b>	<b>25,6</b>
Investments in intangible assets	-19,5	-12,1	0,0	-25,0	0,0	0,0
Investments in tangible assets	-0,8	-1,9	-20,3	-15,0	-15,0	-15,0
<b>Cash flow from investing activities</b>	<b>-20,3</b>	<b>-13,9</b>	<b>-20,3</b>	<b>-40,0</b>	<b>-15,0</b>	<b>-15,0</b>
Rights issue	48,0	73,3	45,5	96,0		
Borrowings		0,0				
Warrants	0,0					
Repayments of borrowings	-4,1	-3,6				
<b>Cash flow from financing activities</b>	<b>43,9</b>	<b>69,7</b>	<b>45,5</b>	<b>96,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Increase/decrease in cash and cash equivalents</b>	<b>-25,0</b>	<b>40,1</b>	<b>10,8</b>	<b>44,3</b>	<b>-7,0</b>	<b>10,6</b>
Cash and cash equivalents at the beginning of the period	37,2	12,2	52,4	62,4	106,8	99,8
Exchange-rate differences in cash and cash equivalents	0,0	0,1	-0,7			
Cash and cash equivalents at the end of the period	12,2	52,4	62,4	106,8	99,8	110,3

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