Interim report for AAC Clyde Space AB (publ)
January – September 2022

2022-11-24 AAC Clyde Space AB (publ)

Third quarter, July–September 2022 (compared with July–September 2021)

- Net sales increased 36% to SEK 45.7 M (33.7) including exchange rate effects of SEK +2.1 M
- Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to SEK -7.7 M (-10.0) including exchange rate effects of SEK 0.0 M
- Earnings before interest and tax (EBIT) amounted to SEK -14.6 M (-16.8)
- The loss after tax was SEK -11.6 M (-17.6)
- Basic and diluted earnings per share amounted to SEK -0.06 (-0.09)
- Cash flow from operating activities totalled SEK -11.4 M (16.4). The negative cash flow is mainly due to revenues during the third quarter being accrued against project where prepayments already have been received and not yet invoiced milestones in delayed projects. Scheduled launches next coming months have been delayed by launch providers, which will have a negative impact on revenue recognition and milestones to be invoiced in the fourth quarter. Measures to mitigate potential short term cash flow effects are under evaluation
- The order backlog amounted to SEK 418.6 M (406.3)

January–September 2022 (compared with January–September 2021)

- Net sales increased 16% to SEK 136.4 M (117.8) including exchange rate effects of SEK +5.8 M
- Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to SEK -18.5 M (-14.0) including exchange rate effects of SEK -0.3 M
- Earnings before interest and tax (EBIT) amounted to SEK -38.7 M (-30.6)
- The loss after tax was SEK -29.1 M (-31.2)
- Basic and diluted earnings per share amounted to SEK -0.15 (-0.18)
- Cash flow from operating activities totalled SEK -36.6 M (-33.8)

Significant events in the third quarter of 2022

- AAC Clyde Space received royalties from York Space Systems of USD 0.48 M (approx. SEK 5.4 M) relating to its power systems
- AAC Clyde Space won a GBP 0.94 M (approx. SEK 11.6 M) order for a Starbuck power system from Astroscale Ltd., for inclusion in their End-of-Life space debris removal service, ELSA-M
- AAC Clyde Space won a EUR 584k (approx. SEK 6.1 M) order for Sirius computers and Starbuck power systems from OHB Sweden. The units will be part of the core avionics for a new InnoSat-class satellite
- AAC Clyde Space won a GBP 0.6 M (approx. SEK 7.3 M) order for 25 power systems for a constellation. Delivery will start in the fourth quarter of 2022.
- AAC Clyde Space was awarded funding through the European Space Agency's ARTES Core Competitiveness programme which helps European and Canadian industries to develop innovative satcom technology, products and systems. The award will enable AAC Clyde Space to further develop its Starbuck Mini power system to address the needs of future constellations. The total project value is EUR 0.95 M (approx. SEK 10.1 M) of which ESA will fund half, and AAC the other half.

Significant events after the end of the reporting period

- AAC Clyde Space won a contract to continue to operate the SeaHawk satellite for one more year, a contract that may be extended up to two years further provided that the spacecraft continues to deliver data. The one-year contract has a value of USD 175k (approx. SEK 1.9 M)
- AAC Space Africa, part of the AAC Clyde Space group, brought in the manufacture and distribution of the Pulsar range of satellite communication systems after licensing the technology
- AAC Clyde Space and its partners, agreed to progress into the final phase of the xSPANCION project, the demonstration phase. This will begin with a phase 3A, focused on scaling constellation production capacity and delivering data services to users. The value of this phase is EUR 3.3 M (approx. SEK 35.8 M), of which the UK Space Agency, through the ESA's Pioneer Partnership Projects, will contribute EUR 1.6 M (approx. SEK 17.9 M)
- AAC Clyde Space won a GBP 0.875 M (approx. SEK 10.9 M) order for a Sirius computer from Astroscale Ltd., for inclusion in their End-of-Life space debris removal service, ELSA-M. The order follows a GBP 0.94 M (approx. SEK 11.6 M) order for a Starbuck power system from Astroscale announced on September 22, 2022

Comments from the CEO

Against a similar backdrop to the first half of the year, our third quarter results reveal growing momentum within the business. We have delivered several key orders. Our power system and computers are in strong demand. New orders are boosting our backlog and we are seeing good progress on a series of key launches.

Earlier this month, Rocket Lab launched the MATS satellite, a Swedish scientific mission. It carries our Starbuck-Mini power system, Sirius data-handling subsystem and custom-built solar panel, as well as scientific instruments developed by AAC Omnisys. The mission is studying waves in the upper atmosphere and their influence on weather and climate. It has already started to send images and data.

We have also now delivered Amber-1 (IOD-3) to Spaceport Cornwall for the historic first satellite launch from UK soil. Amber-1 will monitor the ocean, helping to fight piracy, illegal fishing and refugee smuggling, amongst other purposes. It will be launched on Virgin Orbit's LauncherOne from Cornwall in the coming weeks.

Next month will see the launch of two other satellites for Orbcomm and NSLComm on Space-X's Transporter-6: an exciting and productive end to 2022.

Rising inflation and turbulence in the global financial markets have created some uncertainty in the space economy. Despite these challenges, we made solid progress in the third quarter, increasing net sales by 36% to SEK 45.7 M (compared to SEK 33.7 M in Q3 2021) and our order backlog to SEK 418.6 M (SEK 406.3 M).

We expect to recognise SEK 75 M of order backlog as revenue in the fourth quarter. This is lower than anticipated largely because of delays by launch providers, which is pushing revenue recognition from the fourth quarter to next year. Measures to mitigate potential short-term cash flow effects are under evaluation. Cash flow from operating activities for the period amounted to SEK -36.6 M (-33.8).

Based on the current order backlog and new customer orders intake, we assess that the Group is financed for the next 12 months. We are particularly encouraged by multiple orders for our computers and power systems, including several repeat orders from existing customers. We expect to generate SEK 210 M of annual sales in 2022 from existing contracts.

For example, in August we secured an order from OHB Sweden for our Sirius computers and Starbucks power systems, and a follow-on order from an international customer for 25 power systems for an earth observation constellation. Also in the third quarter, we won two orders from Astroscale, totaling over SEK 22.5 M, for a power system and Sirius computer. Both will be used in the company's end-of-life space debris removal service. We were also awarded funding by the European Space Agency's ARTES Core Competitiveness program to develop our Starbuck Mini power system to address the needs of future constellations.

Since the end of the quarter, we have maintained this momentum with several key announcements.

We have agreed with our partners to move into the final phase of the xSPANCION project. This phase focuses on scaling constellation production capacity and delivering data services to users. It is valued at SEK 35.8 M.

We have also won a contract to continue operating the SeaHawk satellite for one more year, with a possible two-year extension. The satellite, launched in 2018 in partnership with NASA and University of North Carolina, captures around 100 images per week of the ocean. This data reveals important information about the marine food chain, ocean climate, fisheries and pollution phenomena.

Finally, I am delighted that we have delivered our first ground station in Africa this month. This is an important steppingstone to leveraging space-based data in the region. It also marks the first contract for AAC Space Africa, which has been expanding its operations over the last few months to capitalize on the rapidly growing market for satellites and space services. Most recently, it has licensed the technology for the Pulsar range of satellite communications systems and brought their manufacture and distribution in house. AAC Space Africa is the Group's centre for radio communications systems. The license will enable it to reduce delivery lead times.

We remain committed to driving innovation and development in small satellites across the Group. We are particularly excited by progress with our initial VDES (VHD Data Exchange System) satellites. These will allow two-way communication between ships and land via satellite. In Sweden, we are set to receive the payload from our partner Saab as, together with Orbcomm, we develop our joint venture.

Despite the challenging global outlook, I am encouraged by the progress we have made in the last quarter and remain optimistic about our prospects in 2023. Our power systems and computers are a core part of many upcoming missions. Thanks to their fundamental quality and reliability we are seeing a strong pattern of repeat orders from around the world.

As always, thank you to shareholders for your support – and to our team for their innovation and hard work to deliver contracts and develop new products and services.

Luis Gomes
CEO

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The interim report and further information are available at https://investor.aac-clyde.space/en/financial-reports

ABOUT AAC CLYDE SPACE
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. Its 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, South Africa and the USA, with partner networks in Japan and South Korea.

AAC Clyde Space's shares are traded on Nasdaq First North Premier Stockholm. Erik Penser Bank AB is the Certified Adviser. The share is also traded on the US OTCQX- market under the symbol ACCMF.