

AAC Clyde Space

Record year and positive outlook

A strong Q4 performance has enabled AAC to report record results in both revenues and EBITDA for FY24. Management expects further progress in FY25. Strategically, the business is well positioned within the low Earth orbit space sector, in particular for the provision of data & services as its own satellite constellation and capabilities continue to develop.

Year end	Revenue (SEKm)	PBT (SEKm)	EPS (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/23	276.6	(19.3)	(5.31)	0.00	N/A	N/A
12/24	352.9	18.7	3.02	0.00	18.6	N/A
12/25e	456.4	36.1	5.99	0.00	9.4	N/A
12/26e	644.3	60.6	10.10	0.00	5.6	N/A

Note: PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. These are Edison calculations. 12/24 reported PBT SEK(5.7m) and EPS SEK(1.0).

Results overview

The group reported record FY24 results, with Q4 the stand-out quarter. Q4 sales increased 102% to SEK143m equating to 40.6% of annual sales with strong drop through leading to an EBITDA margin of 23.1%. Full year FY24 sales increased by 28% to SEK353m. EBITDA increased to SEK46.7m (including SEK2.6m of acquisition costs) from SEK1.0m in FY23. The EBITDA margin was 13.2%, up significantly from 0.4% in FY23. The FY24 EBIT loss was SEK4.0m, a significant improvement from the FY23 loss of SEK36.8m. Note FY24 included SEK9.1m of impairment and acquisition costs. The reported FY24 EPS loss of SEK1.0 was reduced from a loss of SEK8.7 in FY23. Gross cash at the year end was SEK49.7m with available liquidity of SEK70.8m.

Full-year divisional performance

The AAC Data & Services sales grew 51% with margins remaining strong at 47.1%, albeit down from 66.0% in FY23 reflecting additional opex investment. AAC Missions sales increased by 293% to SEK114m and EBITDA turned positive to SEK1.7m. The AAC Products sales were down 2%, but profitability improved, generating EBITDA margins of 21.5% (from 16.5%) and EBITDA of SEK49.9m.

Outlook and forecasts

Management is guiding to 'double-digit net sales growth, [and] continued positive EBITDA' and FY25 has started strongly. However, reflecting the opening order position (SEK541m vs SEK620m) we have reduced our expectations for FY25. We have also introduced FY26 forecasts. For FY25, we forecast sales of SEK456m (from SEK600m, down 24%), EBITDA of SEK64.4m (from SEK75.0m, down 14%) and underlying PBT of SEK36.1m (from SEK44.5m, down 19%); and for FY26, sales of SEK644m, EBITDA of SEK87.6m and underlying PBT of SEK60.6m.

Valuation

Our DCF-based valuation (discount rate of 12% and long-term growth rate of 2%) gives a valuation of SEK250/share. While this is down from our previous valuation of SEK278/share, as we have been a little more cautious on the short-term numbers, it highlights the significant inherent value within the business.

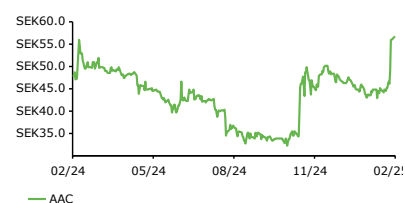
Preliminary results

Aerospace and defence

25 February 2025

Price	SEK56.10
Market cap	SEK330m
	SEK11/€
Net cash at 31 December 2024	SEK40.8m
Shares in issue	5.9m
Free float	88.0%
Code	AAC
Primary exchange	NGM
Secondary exchange	OTCQX

Share price performance



%	1m	3m	12m
Abs	24.4	27.7	20.2
52-week high/low	SEK59.0		SEK32.0

Business description

Headquartered in Sweden, AAC Clyde Space (AAC) is a world leader in nanosatellite end-to-end solutions, subsystems, platforms, services and components, including supply to third parties. It has production and development operations in Sweden, Scotland, the Netherlands, the United States and Africa.

Next events

Annual report	24 April
Q1 results	15 May
AGM	22 May

Analyst

David Larkam +44 (0)20 3077 5700

industrials@edisongroup.com
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Full-year results

Q4 sales increased 102% to SEK143m, equating to 40.6% of annual sales. Q4 EBITDA was SEK33m, a margin of 23.1%. Full year 2024 sales increased by 28% to SEK353m, from SEK277m in FY23. EBITDA increased significantly with a margin of 13.2%, up on 0.4% in FY23 and above the target range of 5–10%. The gross margin remains strong at 63.7%, with positive drop through to the bottom line from the additional revenue. The EBIT loss was SEK4.0m, a significant improvement from FY23's loss of SEK36.8m. Excluding SEK6.5m of impairment from the loss of a satellite and SEK2.6m of acquisition costs, EBIT was positive at SEK5.1m. The reported EPS loss of SEK1.0 was an improvement from the loss of SEK8.7 in FY23. Note that our estimate of underlying EPS before all exceptional items and impairments comes to positive SEK3.00 per share, albeit we note that the full detailed financials are yet to be published. Gross cash at the year end was SEK49.7m and net cash SEK40.8m. Management reported available liquidity of SEK70.8m, which management stated is more than sufficient for FY25 expectations.

Exhibit 1: Key financials (SEKm)

	Q423	Q424	FY23	FY24
Net sales	70.673	143.022	276.605	352.8570
Other income	(1.497)	15.699	19.500	33.1900
Own work capitalised	10.168	(6.144)	29.349	22.7030
Total	79.343	152.577	325.454	408.7500
Raw materials & subcontractors	(30.553)	(52.124)	(105.005)	(128.0960)
Personnel costs	(42.045)	(51.008)	(163.463)	(178.8740)
Other external expenses	(11.276)	(14.898)	(44.517)	(46.1720)
Other operating expenses	(5.169)	(1.518)	(11.489)	(8.9150)
EBITDA	(9.699)	33.029	0.980	46.6930
EPS reported (SEK)	(4.91)	2.97	(0.56)	(1.00)
Gross margin	56.8%	63.6%	62.0%	63.7%
EBITDA margin	-13.7%	23.1%	0.4%	13.2%
EBIT margin	-13.7%	31.1%	-5.5%	5.7%
Cash generated from operations	(17.825)	31.644	(7.012)	41.814
Changes in working capital	76.202	22.067	10.366	14.976
Cash flow from operations	58.377	53.711	3.354	56.790
Investing activities	(6.706)	(17.956)	(47.642)	(44.643)
Financing activities	(14.146)	(11.897)	52.142	(22.996)
Net cash flow	37.525	23.858	7.824	(10.849)
Cash and equivalents at end of period	59.546	49.676	59.546	49.676

Source: AAC Clyde Space

AAC Data & Services sales grew 51% in FY24, with the EBITDA margin remaining strong at 47.1%. Developing these high-margin, longer-term service revenues remain a key strategy for the group. Strategic development has seen AAC's constellation expand to eight satellites with a further two satellites currently being commissioned. Also, we note the launch of the Earth observation satellite, which adds additional capabilities.

AAC Missions increased sales by 293% to SEK114m and moved into positive EBITDA in the period. AAC Missions provides turnkey solutions, hence the higher lumpiness and lower returns, but is key to the overall strategy of the group. Q4 sales were particularly strong at SEK52m and EBITDA was SEK7.4m, enabling the division to post a positive full year EBITDA of SEK1.7m.

AAC Products sales were flat (down 2%) with good profitability and EBITDA margin up to 21.5%, a positive result particularly given the issue that affected Q2. Along with the operational improvements, the key highlight in the year was the acquisition of Spacemetric, providing additional capabilities within the space data-as-a-service (SDaaS) activities and the testing of two-way VHF data exchange system (VDES) to enhance ship-to-land communications.

Exhibit 2: Divisional results (SEKm)

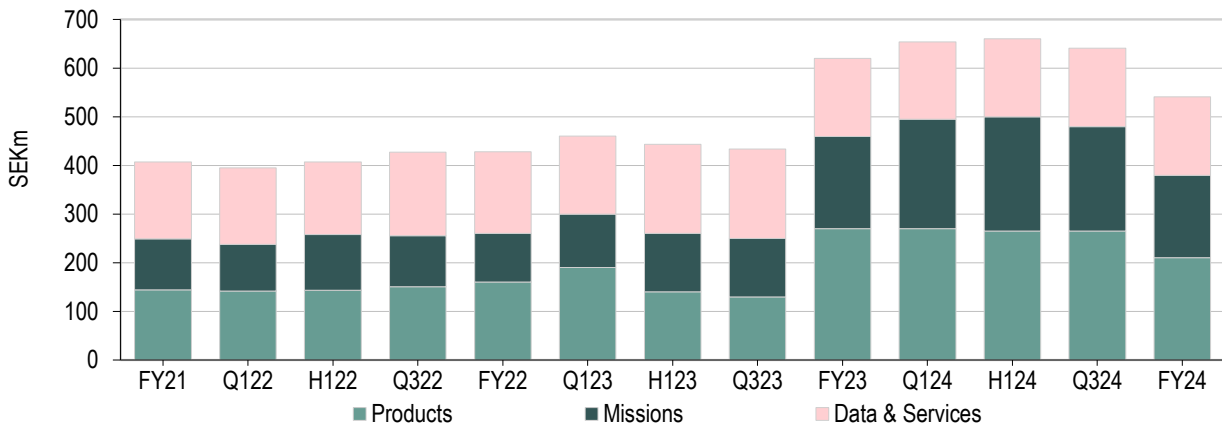
	Q423	Q424	FY23	FY24
Sales by Division				
AAC Data & Services	15.810	18.485	29.718	44.887
AAC Missions	7.294	52.289	29.081	114.309
AAC Products	52.020	83.054	237.052	231.689
Eliminations	(4.451)	(10.806)	(19.246)	(38.028)
Net sales	70.673	143.022	276.605	352.857
EBITDA by division				
AAC Data & Services	12.607	7.654	19.623	21.121
AAC Missions	(13.864)	7.422	(30.262)	1.672
AAC Products	(1.438)	26.744	38.067	49.907
Other segments	(6.131)	(8.599)	(24.087)	(25.163)
Eliminations	(0.873)	(0.194)	(2.361)	(0.843)
Total	(9.699)	33.027	0.980	46.694
EBITDA Margin by division				
AAC Data & Services	79.7%	41.4%	66.0%	47.1%
AAC Missions	-190.1%	14.2%	-104.1%	1.5%
AAC Products	-2.8%	32.2%	16.1%	21.5%
Total	-13.7%	23.1%	0.4%	13.2%

Source: AAC Clyde Space

Order book and intake

The order book was stable over most of 2024, but declined in Q4, partially reflecting the strong sales delivered in the final quarter, to finish the year at SEK541m, a 14% reduction. Major new contract announcements in Q424 and into Q125 provide management with confidence. These include the following, with the European Space Agency contract offering particular upside:

- **16 December 2024:** AAC Clyde Space won an order for Sirius computers, GNSS receivers and related services. Sirius is AAC Clyde Space's range of computers developed to cater for the command and data handling needs of small satellites. The contract has a value of €0.6m (approximately SEK6.6m).
- **30 December 2024:** AAC Clyde Space won a Launch Service Contract for the VOLT mission from Craft Prospect. This is a follow-up order from its first order for a 16U EPIC satellite for the same mission. The order value is €0.5m (approximately SEK6.0m).
- **5 February 2025:** AAC Clyde Space received an order from OHB Sweden for instrument components for the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT) within the planned Polar System Sterna (EPS-Sterna) programme. This programme's space segment is based on the European Space Agency's Arctic Weather Satellite, successfully launched in 2024, which aims to improve global and regional weather forecasts and contribute to climate monitoring. The order has a total value of €1.0m (approximately SEK11.7m).
- **17 February 2025:** AAC Clyde Space signed a contract worth €0.85m (approximately SEK9.5m) with the European Space Agency as the first phase of the INFLECIION project, a transformative project for maritime domain awareness (MDA) through advanced satellite technology. The total value of the INFLECIION project is estimated at €30.7m (approximately SEK350m).

Exhibit 3: Order book (SEKm)


Source: AAC Clyde Space

Outlook and expectations

Management guidance for FY25 is for 'double-digit net sales growth, continued positive EBITDA, and sustained positive cash flow from operating activities'. The group will also benefit from a full 12-month contribution from Spacemetric, acquired in November 2024. We have taken a somewhat more cautious view of the top line to reflect the order book at the end of FY24, but also a more positive view on profitability reflecting the strong financials evident in FY24, in particular in Q4.

Exhibit 4: Forecasts

	FY25e		FY26e
SEKm	Old	New	New
Sales	600.0	456.4	644.3
EBITDA	75.0	64.4	87.6
EBITDA margin	12.5%	14.1%	13.6%
EBIT reported	13.6	25.8	36.5
EBIT underlying	50.0	39.4	63.1
EBIT margin	8.3%	8.6%	9.8%
PBT underlying	44.5	36.1	60.6
EPS underlying (SEK)	7.6	6.0	10.1
Net cash/(debt)	34.1	62.3	96.8

Source: Edison Investment Research

Valuation

AAC remains a longer-term investment, reflecting its strategy to invest, particularly in its satellite constellation and SDaaS activities. Hence, we see a discounted cash flow (DCF) as the most appropriate valuation tool, rather than short-term, profit-based metrics. Our DCF is based on forecasts out to 2030 followed by a terminal growth rate. The table below highlights our DCF relative to the cost of capital, effectively the cost of equity, and the long-term, post 2030, growth rate.

We continue to use a discount rate of 12% and a long-term growth rate of 2%. This gives a valuation of SEK250 a share. While this is down from our previous valuation of SEK278 a share, as we have been a little more cautious on the short-term numbers, it also highlights the significant inherent value potential within the business.

Exhibit 5: Discounted cash flow valuation (SEK/share)

	Terminal Growth Rate				
	0%	1%	2%	3%	
	15%	167	174	183	192
	14%	182	191	201	213
	13%	200	210	223	238
Weighted cost of capital	12%	220	234	250	269
	11%	245	262	283	308
	10%	275	297	324	359
	9%	312	340	377	426
	8%	358	397	449	522
	7%	418	473	550	665
	6%	498	580	702	906

Source: Edison Investment Research

Exhibit 6: Financial summary

SEKm	2022	2023	2024	2025e	2026e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Net sales	196.7	276.6	352.9	456.4	644.3
Own work capitalised and other operating income	47.0	48.8	55.9	39.0	29.3
Group income	243.7	325.5	408.8	495.4	673.6
EBITDA	(30.0)	1.0	46.7	64.4	87.6
Operating Profit (before amort. and except.)	(40.3)	(12.5)	20.0	39.4	63.1
Intangible Amortisation	(0.7)	(2.6)	0.0	(1.8)	(2.6)
Other	(26.0)	(21.7)	(24.0)	(24.0)	(24.0)
Operating Profit	(67.0)	(36.8)	(4.0)	13.6	36.5
Associates & Other	0.0	0.0	0.0	0.0	0.0
Net Interest	17.9	(4.2)	(1.3)	(1.5)	0.1
Profit Before Tax (norm)	(23.2)	(19.3)	18.7	36.1	60.6
Profit Before Tax (FRS 3)	(49.1)	(41.1)	(5.3)	12.1	36.6
Tax	2.6	(0.5)	(0.4)	(0.6)	(1.8)
Profit After Tax (norm)	(22.0)	(18.4)	17.7	34.3	57.5
Profit After Tax (FRS 3)	(46.5)	(41.6)	(5.7)	11.5	34.7
Average Number of Shares Outstanding (m)	3.9	4.8	5.7	5.9	5.9
EPS - normalised (SEK)	(5.58)	(5.31)	3.02	5.99	10.09
EPS - Reported (IFRS) (SEK)	(11.82)	(8.73)	(1.00)	2.12	6.23
Dividend per share (SEK)	0.0	0.0	0.0	0.0	0.0
EBITDA Margin (%)	(15.2)	0.4	13.2	14.1	13.6
Operating Margin (before GW and except.) (%)	(20.5)	(4.5)	5.7	8.6	9.8
BALANCE SHEET					
Fixed Assets	728.6	746.2	815.4	809.6	810.9
Intangible Assets	665.5	672.6	732.6	732.6	732.6
Tangible Assets	46.4	57.8	82.5	76.7	77.9
Right of use asset	16.8	15.8	0.3	0.3	0.3
Investments					
Current Assets	152.8	192.2	173.2	222.0	322.2
Stocks	20.2	22.1	21.6	27.9	39.3
Debtors	24.5	23.5	55.3	71.5	100.9
Cash	52.1	59.5	49.7	62.3	96.8
Other	56.0	87.1	46.7	60.4	85.2
Current Liabilities	(182.0)	(249.4)	(259.8)	(284.4)	(338.4)
Creditors	(175.8)	(218.7)	(259.8)	(284.4)	(338.4)
Lease liabilities	(5.5)	(5.5)	0.0	0.0	0.0
Short-term borrowings	(0.7)	(25.2)	0.0	0.0	0.0
Long-Term Liabilities	(35.9)	(26.2)	(25.8)	(31.7)	(42.5)
Long-term borrowings	0.0	0.0	0.0	0.0	0.0
Lease liabilities	(11.0)	(10.2)	(5.5)	(5.5)	(5.5)
Other long-term liabilities	(24.9)	(16.1)	(20.3)	(26.2)	(37.1)
Net Assets	663.5	662.8	703.0	715.5	752.2
CASH FLOW					
Operating Cash Flow	6.4	11.1	61.7	61.0	81.3
Net Interest	(0.2)	(2.9)	(1.3)	(1.5)	0.1
Tax	0.2	(1.3)	(0.4)	(0.6)	(1.8)
Capex	(40.9)	(51.0)	(44.6)	(37.4)	(45.1)
Acquisitions/disposals	(38.3)	(2.5)	(8.0)	0.0	0.0
Financing	33.3	37.6	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Other	0.0	(2.0)	2.2	0.0	0.0
Net Cash Flow	(39.4)	(11.0)	9.5	21.5	34.5
Opening net debt/(cash) excluding lease liabilities	(95.5)	(52.1)	(35.1)	(40.8)	(62.3)
HP finance leases initiated					
Other	(4.0)	(6.0)	(3.8)	0.0	0.0
Closing net debt/(cash) excluding lease liabilities	(52.1)	(35.1)	(40.8)	(62.3)	(96.8)
Net financial liabilities including lease liabilities	(35.6)	(19.5)	(35.3)	(56.8)	(91.3)

Source: AAC Clyde Space, Edison Investment Research. Note: 2024 numbers pre the release of the full financials due with publication of the report & accounts.

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