



ERIK PENSER BANK

Penser Access | Aerospace & Defense | Sweden | 19 February 2021

AAC Clyde Space

Sales target SEK 500m in 2024

Q4 2020 with first contribution from Hyperion


AAC Clyde Space reported sales of SEK 28.7m in Q4 2020, taking the full-year number to SEK 98.4m, or SEK 96m excluding the contribution from the acquired Hyperion Technologies B.V. This came close to the full-year sales target of around SEK 100m. EBITDA in Q4 2020 was SEK -10.9m, or SEK -1.6m adjusted for one-offs, against SEK -5.2m in Q4 2019. The order backlog was SEK 156.3m (SEK 159.4m in Q3 2020).

Sales target SEK 500m in 2024

AAC Clyde Space expects very strong growth and is communicating a sales target of SEK 500m for 2024. This will be driven by organic growth and strategic acquisitions, but the split is not specified in detail. For reference, our estimate is SEK 266m in 2023, which does not include further acquisitions.

Minor forecast changes after the report

We have made minor forecast changes after the report, and expect positive EBITDA in 2022. We see a fair value of SEK 3.90-4.00 per share, 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	3.90 - 4.00
EPS, adj 21e	-0.1	-0.06	-65.6%	Sales,m	98	176	237	266	Current price	SEK3.50
EPS, adj 22e	-0	0.04	-106.0%	Sales Growth	48.1%	79.1%	34.7%	12.2%	Risk level	High
EPS, adj 23e	0.09	0.09	0.0%	EBITDA, m	(26.8)	(4.2)	10.4	27	<div>One Year Performance Chart</div> 	
<div>Calendar Events</div> <div>Q1 2021/AGM May 27</div> <div>Q2 2021 August 26</div> <div>Q3 2021 November 25</div>				EBIT, m	(37.5)	(14.6)	0.1	16.8		
				EPS, adj	(0.31)	(0.10)	(0.00)	0.09		
				EPS Growth	NM%	NM%	NM%	NM%		
				Equity/Share	3.8	3.7	3.7	3.8		
				Dividend	0.00	0.00	0.00	0.00		
<div>Key Figures (mkr)</div> <div>Number of Shares 147.2m</div> <div>Market cap 515</div> <div>Net Debt (62)</div> <div>EV 453</div> <div>Free Float 95.00%</div> <div>Avg. No. of Daily Traded Sh. 1,406.0(k)</div> <div>Reuters/Bloomberg AAC.ST/AAC SS</div>				EBIT Marginal	(38.1)%	(8.3)%	0.0%	6.3%		
				ROE (%)	(6.9)%	(2.8)%	(0.1)%	2.3%		
				ROCE	(6.5)%	(2.6)%	0.0%	2.9%		
				EV/Sales	4.61x	2.57x	1.91x	1.70x		
				EV/EBITDA	(16.9)x	(108.8)x	43.6x	16.7x		
				EV/EBIT	(12.1)x	(31.1)x	7,715.3x	27.0x		
				P/E, adj	(11.3)x	(34.4)x	(1,509.7)x	39.5x		
				P/Equity	0.9x	0.9x	0.9x	0.9x		
				Dividend yield	0.0%	0.0%	0.0%	0.0%		
				FCF yield	(8.8)%	(4.8)%	(1.8)%	1.2%		
				Net Debt/EBITDA	2.3g	8.9g	(2.7)g	(1.3)g		

Analysts

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Overview

Sales target SEK 500m in 2024

Investment Case

AAC Clyde Space ended 2020 with growth of 39% in Q4, which took full-year sales to SEK 98.4m, or close to the target of SEK 100m. The company is optimistic about 2021 and expects very strong growth going forward. AAC Clyde Space has a sales target of SEK 500m for 2024, to be driven by both organic growth and strategic acquisitions. The facilities were in full production at the end of the year. 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 recently announced the launch of 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 was formed in 2018 when ÅAC Microtec from Uppsala, Sweden, acquired Clyde Space from Glasgow in Scotland. The companies were both founded in 2005. AAC Clyde Space offers turnkey services from mission design to on-orbit operations, including customisable satellite platforms. AAC Clyde Space includes acquired companies Hyperion Technologies since November 1 and SpaceQuest since December 31. The share, ticker AAC, is traded on the Nasdaq First North Premier Growth Market, and from 21 August 2020 on the US OTCQX market with the ticker ACCMF.

Valuation approach

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.

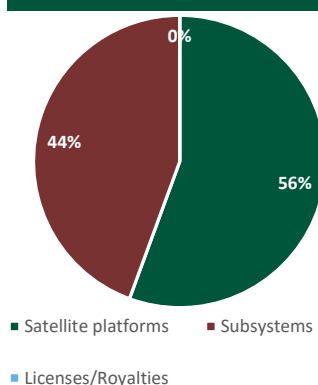
Target Price

The fair value today amounts to SEK 3.90-4.00 per share.

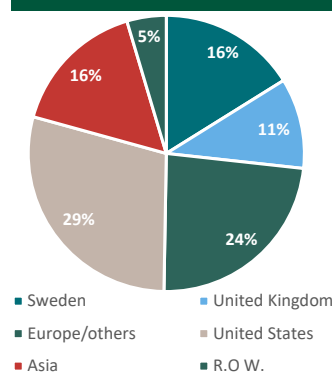
Company data

Largest Shareholders (Jan 31)	Votes	Capital
CBNY Client (SpaceQuest)	16,30%	16,30%
UBS AG, W8IMY	5,74%	5,74%
Avanza Pension	5,31%	5,31%
Beheer B.V (Hyperion)	5,27%	5,27%
Others	67,38%	67,38%
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	

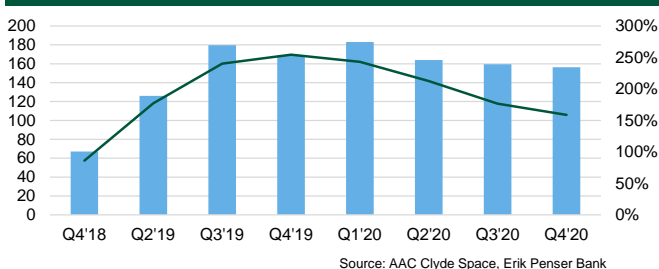
Sales/segment (12m)



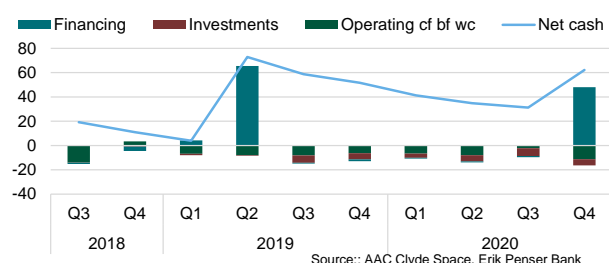
Sales/geo (2019)



Order backlog (SEKm) vs. /12m sales



Quarterly cash flow



Income Statement

	2018	2019	2020	2021E	2022E	2023E
Net sales	77,9	66,4	98,4	176,3	237,3	266,2
Work performed by the Company for its own use and capitalised	1,5	3,0	8,3	12,5	17,3	19,3
Other operating income	9,8	11,2	12,7	24,9	32,6	36,8
Raw materials and subcontractors	-31,0	-27,4	-50,3	-74,0	-99,7	-111,8
Personnel costs	-53,2	-51,8	-61,1	-91,6	-112,9	-116,8
Other external expenses	-22,8	-23,7	-19,5	-29,2	-36,0	-37,3
Other operating expenses	-10,7	-5,0	-15,4	-23,0	-28,4	-29,3
EBITDA	-28,5	-27,3	-26,8	-4,2	10,4	27,1
Depreciation/amortisation and impairment of tangible and intangible assets	-14,8	-12,9	-10,7	-10,4	-10,3	-10,3
EBIT	-43,3	-40,2	-37,5	-14,6	0,1	16,8
Net financial items	-0,3	-0,8	-1,3	-0,4	-0,4	-0,4
EBT	-43,6	-41,0	-38,8	-15,0	-0,3	16,4
Income tax	0,9	0,5	0,5	0,0	0,0	-3,4
Net income	-42,7	-40,6	-38,3	-15,0	-0,3	13,0

Balance Sheet

	2018	2019	2020	2021E	2022E	2023E
Assets						
Intangible assets	392,6	418,6	494,3	494,3	494,3	494,3
Tangible assets	4,2	18,3	28,8	33,4	38,1	42,8
Total non-current assets	396,8	436,9	523,1	527,7	532,3	537,0
Inventory	6,5	13,1	12,8	23,1	31,1	34,9
Accounts receivable	10,1	17,7	9,5	16,9	22,8	25,6
Other receivables	27,3	25,2	28,4	28,4	28,4	28,4
Cash and cash equivalents	12,2	52,4	62,4	37,5	28,3	34,6
Total current assets	56,2	108,5	113,2	106,0	110,6	123,5
Total assets	453,0	545,4	636,3	633,6	642,9	660,5
Equity and liabilities						
Equity attributable to Parent Company shareholders	412,1	466,1	557,8	542,8	542,5	555,5
Total equity	412,1	466,1	557,8	542,8	542,5	555,5
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
Total non-current liabilities	5,3	15,9	18,8	18,8	18,8	18,8
Accounts payable	11,1	9,8	15,5	27,8	37,5	42,1
Other liabilities	24,6	53,6	44,2	44,2	44,2	44,2
Total current liabilities	35,6	63,4	59,7	72,0	81,7	86,2
Total equity and liabilities	453,0	545,4	636,3	633,6	642,9	660,5

Cash Flow

	2018	2019	2020	2021E	2022E	2023E
EBT	-43,6	-41,0	-38,8	-15,0	-0,3	16,4
Adjustments for non-cash items	14,8	12,9	10,7	10,4	10,3	10,3
Income taxes paid	0,0	0,0	0,0	0,0	0,0	-3,4
Cash flow from operating activities before changes in working capital	-28,8	-28,2	-28,1	-4,6	10,0	23,3
Total changes in working capital	-19,8	12,4	13,6	-5,4	-4,2	-2,0
Cash flow from operating activities	-48,6	-15,7	-14,5	-9,9	5,8	21,3
Investments in intangible assets	-19,5	-12,1	0,0	0,0	0,0	0,0
Investments in tangible assets	-0,8	-1,9	-20,3	-15,0	-15,0	-15,0
Cash flow from investing activities	-20,3	-13,9	-20,3	-15,0	-15,0	-15,0
Rights issue	48,0	73,3	45,5			
Borrowings		0,0				
Warrants	0,0					
Repayments of borrowings	-4,1	-3,6				
Cash flow from financing activities	43,9	69,7	45,5	0,0	0,0	0,0
Increase/decrease in cash and cash equivalents	-25,0	40,1	10,8	-24,9	-9,2	6,3
Cash and cash equivalents at the beginning of the period	37,2	12,2	52,4	62,4	37,5	28,3
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	37,5	28,3	34,6

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