

# AAC Clyde Space

Q124 results

Solid start to the year with further order growth

AAC Clyde Space offers exposure to the fast-growing low Earth orbit space market. A solid start to the year and continued order momentum are encouraging. We also note the internal restructuring to promote delivery of the group's products and services. We expect this combination to drive an improving performance, albeit within the lumpy nature of the business, in turn improving investor confidence and the stock's valuation.

Year end	Revenue (SEKm)	PBT* (SEK)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/22	196.7	(23.2)	(5.6)	0.0	N/A	N/A
12/23	276.6	(18.4)	(4.2)	0.0	N/A	N/A
12/24e	465.4	12.4	2.1	0.0	21.4	N/A
12/25e	647.6	52.7	8.7	0.0	5.2	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Solid performance assisted by insurance claim

Sales increased 12% to SEK97.0m in Q124, assisted by the receipt of a SEK13.5m insurance settlement relating to the Kelpie-1 satellite delivering less data than expected, thereby not achieving key performance criteria. EBITDA was SEK12.7m with a 17% margin, benefiting from SEK12.6m from the insurance settlement. Costs were broadly flat in the period, with the exception of personnel costs and a SEK6.5m impairment, again associated with the insurance settlement. Divisional performance was mixed reflecting the normal lumpiness, with Data & Services and Missions both up strongly but the largest division, Products, weaker. More interesting has been the internal reorganisation along functional lines, which is intended to add focus and promote delivery of products and services. The loss for the period reduced from SEK5.9m to SEK3.4m. Net cash generation from operations increased from SEK0.2m to SEK12.2m. After investment in working capital of SEK25.3m and SEK7.9m in assets, net cash outflow was SEK22.0m, comparable to the SEK13.2m outflow seen in Q123. Cash at the end of the period stood at SEK38.4m.

## Order book achieves another record

The order book continued to grow, achieving another record level of SEK654m, up from SEK630m at the year end and SEK460m at Q123. After significant growth in Q423, orders in the Products division were relatively flat with growth coming in the Missions and Data & Services divisions, the latter being particularly important given its higher margin potential. Along with Q1 sales of SEK97m, the order position underpins management's previous guidance for annual net sales of between SEK430m and SEK500m.

## Valuation: Significant upside potential remains

Our valuation of SEK301 per share using a DCF is unchanged. Further details are available in our [update note](#) published on 4 March.

Aerospace and defence

17 May 2024

Price **SEK45.0**

Market cap **SEK257m**

SEK10.7/\$, SEK13.5/£

Adjusted net cash (SEKm) at 31 March 2024 (gross cash SEK38.4m) 13.0

Shares in issue 5.7m

Free float 88.0%

Code AAC

Primary exchange Nasdaq First North Premier Growth Market

Secondary exchange OTCQX

### Share price performance



% 1m 3m 12m

Abs (9.1) (7.8) (28.5)

Rel (local) (14.2) (15.6) (39.8)

52-week high/low SEK65.2 SEK27.5

### Business description

Headquartered in Sweden, AAC Clyde Space 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

Q224 results 15 August 2024

Q324 results 7 November 2024

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## Q1 results review

### Overview

Sales were up 12%, assisted by an increase in own work capitalised. The greatest delta was from the receipt of SEK13.5m in insurance relating to the Kelpie-1 satellite delivering less data than expected, thereby not achieving key performance criteria. This also benefited EBITDA by SEK12.6m, accounting for the increase from SEK1.7m in Q123 to SEK12.7m. There was an associated impairment charge of SEK6.5m within the depreciation and amortisation charge, reducing the benefit at the EBIT level. Costs were broadly flat in the period, with the exception of personnel costs primarily due to underlying increases, with the number of employees up marginally from 189 to 190. The overall loss before tax reduced from SEK5.9m to SEK3.4m.

Net cash from operations increased to SEK12.2m from SEK0.2m. After investment in working capital of SEK25.3m and SEK7.9m in assets (tangible and intangible), the net cash outflow was SEK22.0m, comparable to the SEK13.2m outflow seen in Q123. Cash at the end of the period was SEK38.4m, with bank overdrafts of SEK25.4m utilised.

Exhibit 1: Summary performance			
SEKm	Q123	Q124	Change
By Activity			
Total core sales	73.901	71.439	-3%
Other income	8.690	6.085	-30%
Own work capitalised	4.514	19.851	340%
<b>Net sales</b>	<b>87.105</b>	<b>97.375</b>	<b>12%</b>
Raw materials & subcontractors	(31.817)	(31.183)	-2%
Personnel costs	(40.060)	(42.053)	5%
Other external expenses	(11.483)	(10.170)	-11%
Other operating expenses	(2.034)	(1.254)	-38%
<b>EBITDA</b>	<b>1.711</b>	<b>12.715</b>	<b>643%</b>
Depreciation & amortisation	(7.137)	(16.536)	132%
Underlying EBIT	(5.426)	(3.821)	-30%
Financing income/(costs)	(0.480)	0.460	-196%
<b>Underlying PBT</b>	<b>(5.906)</b>	<b>(3.361)</b>	<b>-43%</b>
EPS (SEK)	(1.58)	(0.56)	-65%
<b>Gross Cash</b>	<b>39.060</b>	<b>38.356</b>	<b>-2%</b>
Bank overdraft	(18.500)	(25.400)	37%
Net cash/(debt)	20.560	12.956	-37%

Source: AAC Clyde Space, Edison Investment Research

### Divisional performance

Management has implemented a reorganisation programme along functional lines to assist internal focus and delivery. Given the c 40% growth anticipated in the year, operational delivery is obviously critical. Data & Services benefited from insurance receipts of SEK13.5m, which also had a clear benefit to EBITDA. Missions posted strong growth (+180%) and positive EBITDA leverage, while Products sales declined by 29% with an inevitable negative impact on EBITDA.

## Exhibit 2: Quarterly divisional breakdown

SEKm	Q123	Q124	Change
Sales by Division			
AAC Data & Services	4.525	14.647	224%
AAC Missions	6.996	19.62	180%
AAC Products	67.478	47.887	-29%
Eliminations	(5.098)	(10.715)	110%
<b>Total core sales</b>	<b>73.901</b>	<b>71.439</b>	<b>-3%</b>
EBITDA by division			
AAC Data & Services	1.263	12.629	900%
AAC Missions	(4.376)	(0.621)	-86%
AAC Products	10.561	6.029	-43%
Other segments	(5.767)	(5.707)	-1%
Eliminations	0.03	0.385	1,183%
<b>Total EBITDA</b>	<b>1.711</b>	<b>12.715</b>	<b>643%</b>
EBITDA margin by division			
AAC Data & Services	27.9%	86.2%	
AAC Missions	-62.6%	-3.2%	
AAC Products	15.7%	12.6%	
<b>Group EBITDA margin</b>	<b>2.3%</b>	<b>17.8%</b>	

Source: AAC Clyde Space

## Order book and intake

The order book continued to grow strongly to record levels of SEK654m, up from SEK630m at the year-end and SEK460m at the end of Q123. Major new contract announcements in the period included:

- **22 January 2024:** AAC won an order worth c SEK9.9m for its Sirius range of onboard computers and services, designed for low Earth orbit (LEO) satellite constellation missions, with delivery planned for Q424.
- **24 January 2024:** AAC Clyde Space (Hyperion), partnered with TNO, successfully demonstrated that the laser satellite communications terminal (SmallCAT) transfers data onboard a spacecraft in LEO to Earth, with AAC responsible for contributing electronics and firmware components. A commercial version for use in nanosatellites, CubeCAT (1.3kg, 10cm<sup>3</sup>), is currently being developed. This presents a promising revenue opportunity for AAC with the accelerating use of [laser communication technologies](#) (infrared wavelength) to send satellite data directly to Earth, as an alternative to traditional radio frequency communication.
- **15 February 2024:** Intuitive Machines' Nova-C spacecraft (Odysseus) was successfully launched on a SpaceX Falcon 9 rocket incorporating AAC's proprietary Starbuck power system, as part of [NASA's Commercial Lunar Payload Services](#) initiative. This is focused on the investigation of space weather and lunar surface interactions, in addition to radio astronomy. Odysseus successfully soft landed on the moon eight days later.
- **28 February 2024:** AAC Space Africa successfully secured its first satellite order, valued at c SEK2.3m and scheduled for delivery in June 2024. This marks a pivotal achievement in the company's expansion in the African market.
- **4 March 2024:** AAC secured a c SEK56.2m order for 11 satellite kits from LusoSpace to be delivered in Q424. These will be used to build VDES-equipped EPIC 8U satellites as a maritime communication system, set to be launched in late 2025.

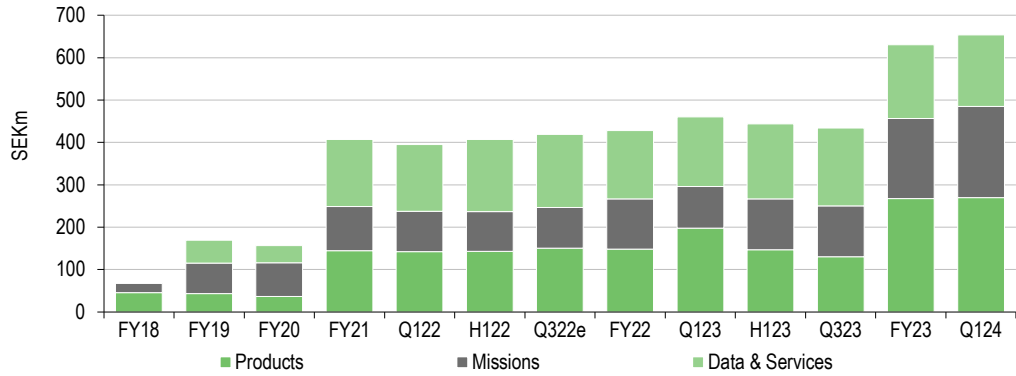
This positive trend has continued into Q2:

- **26 April 2024:** AAC's subsidiary Hyperion and its partners won a project sponsored by the Dutch National Growth Fund. AAC is to develop its existing CubeCAT V1 1Gbps system to a speed of 10Gbps to generate a next-generation terminal to enable space-to-ground

communication between small satellites and optical ground stations. The total value of the project is €3.5m (c SEK40.4m) and is planned to be finalised during the third quarter 2026.

- **15 May 2024:** AAC won the first order for its 16U EPIC satellite as part of the ESA OPS-SAT VOLT mission, which aims to test and evaluate ground-breaking, real-time techniques and technologies with a focus on optical and quantum direct to Earth communication. The total order value is €2.3m (c SEK27.0m) and is due to be delivered and commissioned by June 2026.

**Exhibit 3: Group order book (SEKm)**



Source: AAC Clyde Space, Edison Investment Research

## Outlook and expectations

There are no changes to our forecasts for the year. Management's guidance for FY24 at the time of the FY23 results in March was for 'net sales between SEK430m and SEK500m and EBITDA 5–10%', which the Q1 results (sales of SEK97m and EBITDA margin of 17.8%) support, albeit assisted by the one-off insurance payment.

**Exhibit 4: Financial summary**

	SEKm	2021	2022	2023	2024e	2025e
Year-end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>						
Net sales		180.0	196.7	276.6	465.4	647.6
Own work capitalised and other operating income		30.9	47.0	48.8	42.6	46.7
Group income		210.8	243.7	325.5	508.0	694.2
EBITDA		(12.4)	(30.0)	1.0	32.9	79.6
Operating Profit (before amort. and except.)		(21.9)	(40.3)	(11.6)	16.5	60.3
Intangible Amortisation		(0.9)	(0.7)	(2.6)	(3.4)	(4.2)
Exceptionals		(15.8)	(26.0)	(22.7)	(16.2)	(15.5)
Other		0.0	0.0	0.0	0.0	0.0
Operating Profit		(38.6)	(67.0)	(36.8)	(3.1)	40.6
Net Interest		(4.2)	17.9	(4.2)	(0.7)	(3.4)
Profit Before Tax (norm)		(27.0)	(23.2)	(18.4)	12.4	52.7
Profit Before Tax (FRS 3)		(42.8)	(49.1)	(41.1)	(3.7)	37.1
Tax		3.3	2.6	(0.5)	0.2	(1.9)
Profit After Tax (norm)		(24.9)	(22.0)	(20.032)	11.8	50.0
Profit After Tax (FRS 3)		(39.5)	(46.5)	(41.6)	(3.5)	35.3
Average Number of Shares Outstanding (m)		3.5	3.9	4.8	5.7	5.7
EPS - fully diluted (SEK)		(7.17)	(5.58)	(4.16)	2.09	8.75
EPS - normalised (SEK)		(7.17)	(5.58)	(4.15)	2.08	8.72
EPS - (IFRS) (SEK)		(11.36)	(11.82)	(8.69)	(0.60)	6.16
Dividend per share (SEK)		0.0	0.0	0.0	0.0	0.0
EBITDA Margin (%)		-6.9	-15.2	0.4	7.1	12.3
Operating Margin (before GW and except.) (%)		-12.2	-20.5	-4.2	3.5	9.3
<b>BALANCE SHEET</b>						
Fixed Assets		681.0	728.6	746.2	773.9	807.8
Intangible Assets		639.5	665.5	672.6	677.6	686.6
Tangible Assets		26.4	46.4	56.7	80.5	106.4
Right of use asset		15.1	16.8	16.8	15.8	14.8
Investments		0.0	0.0	0.0	0.0	0.0
Current Assets		193.4	152.8	192.2	145.0	214.7
Stocks		13.2	20.2	22.1	35.3	46.7
Debtors		23.0	24.5	23.5	37.6	49.7
Cash		96.1	52.1	59.5	39.5	79.5
Other		61.1	56.0	87.1	32.6	38.9
Current Liabilities		(129.2)	(170.2)	(243.9)	(200.3)	(248.7)
Creditors		(128.5)	(170.2)	(218.7)	(200.3)	(248.7)
Short term borrowings		(0.6)	0.0	(25.2)	0.0	0.0
Long Term Liabilities		(16.6)	(17.8)	(16.7)	(44.9)	(64.8)
Long term borrowings		0.0	0.0	0.0	(28.1)	(48.0)
Lease liabilities		(15.1)	(16.5)	(15.7)	(15.7)	(15.7)
Other long term liabilities		(1.5)	(1.2)	(1.1)	(1.1)	(1.1)
Net Assets		728.6	693.5	677.7	673.8	709.1
<b>CASH FLOW</b>						
Operating Cash Flow		(37.3)	(13.1)	5.1	36.1	93.1
Net Interest		(0.2)	18.3	(0.1)	0.3	(2.4)
Tax		2.1	1.2	(1.6)	(0.6)	(2.6)
Capex		(29.2)	(40.9)	(47.7)	(59.7)	(68.9)
Acquisitions/disposals		2.6	(43.7)	4.1	1.0	1.0
Financing		94.1	33.4	35.9	0.0	0.0
Dividends		0.0	0.0	0.0	0.0	0.0
Net Cash Flow		32.0	(44.7)	(4.3)	(22.9)	20.1
Opening net debt/(cash) excluding lease liabilities		(62.2)	(95.5)	(52.1)	(34.3)	(11.5)
HP finance leases initiated		0.0	0.0	0.0	0.0	1.0
Other		1.3	1.3	(13.5)	0.0	(0.0)
Closing net debt/(cash) excluding lease liabilities		(95.5)	(52.1)	(34.3)	(11.5)	(31.5)
Net financial liabilities including lease liabilities		(80.4)	(35.6)	(18.7)	4.2	(16.9)

Source: AAC Clyde Space accounts, Edison Investment Research

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