



This report was completed and disseminated Dec 19 2019: 08:30 CET

AAC Clyde Space

Space as a Service

Initiation of coverage
Target Price Change
Estimate Change

Risk and Return Potential

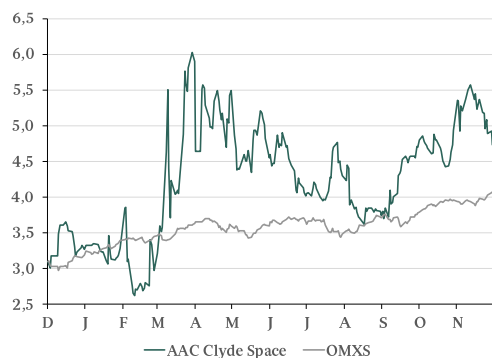
Return Potential	Medium
Risk	High Risk
Current Price	5,15
High/Low (12M)	6,02/2,62
Number of Shares (m)	96,2
Market Capitalisation (SEKm)	495
Net Debt (SEKm)	-49
Enterprise Value (SEKm)	446
Reuters/Bloomberg Listing	AAC.ST/AAC SS First North Premier G.M.

Estimates and Valuation (SEK)

FY (Dec)	2018	2019E	2020E	2021E
Sales	78	85	119	149
EBITDA	-28	-14	4	18
EBIT	-43	-32	-19	-12
Pre-tax Result	-44	-33	-20	-13
EPS Adjusted	-0,65	-0,34	-0,21	-0,14
BVPS	6,00	4,69	4,48	4,34
Dividend	0,00	0,00	0,00	0,00
EPS Growth	NM	NM	NM	NM
EBIT Margin	-55,5	-37,9	-16,4	-8,2
ROE	-18,6	-7,6	-4,6	-3,1
ROCE	-21,0	-8,2	-5,1	-3,3
Net Debt/Equity	-0,03	-0,14	-0,13	-0,15
EV/Sales	2,90	5,25	3,75	3,00
EV/EBITDA	NM	NM	114,2	25,2
EV/EBIT	NM	NM	NM	NM
P/E Adjusted	NM	NM	NM	NM
P/BV	0,60	1,10	1,15	1,19
Dividend Yield	0,0	0,0	0,0	0,0

Source: Company Reports, Erik Penser Bank

Price trend, 12 months



Source: FactSet

Date	Event	Place
20/02-2020	Q4-report	--

See last page for the disclaimer.

A turnkey supplier in the satellite industry

AAC Clyde Space was formed in 2018 when AAC Microtec from Uppsala, Sweden, acquired Clyde Space from Glasgow in Scotland. The two companies were founded in 2005. AAC Clyde Space offers turnkey solutions and services from mission design to on-orbit operations, including customizable satellite platforms.

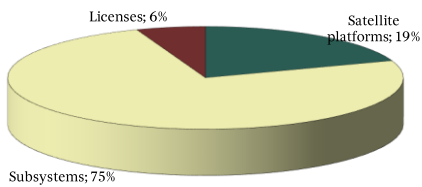
Strong market for small satellites

According to SpaceWorks, almost 300 nano and microsattellites (10–100 kg) are expected to be launched into orbit in 2019, which represents an increase of about 17% compared to 2018. However, 2018 saw a decrease of about 20% compared to the breakthrough year 2017, when more than 300 satellites in this size category were launched. The increases are expected to be around 15% in the coming years. The proportion of satellites of this size used by private/for-profit companies is estimated to have been around 55% in recent years, a figure which, however, is expected to increase to almost 70% in the coming five-year period. The market for small satellites was worth USD 514m in 2018, and is expected to grow by about 14% per year from 2019 to 2030, according to BIS Research. Growth is largely being driven by the development of small low-cost satellites, which has been achieved through technological development and a better ability to miniaturize components. Small satellites are used in areas such as weather forecasting, observation and navigation, and particularly in applications for the Internet of Things (IoT) and wireless broadband, which will drive demand going forward.

Growth is the route to profit for AAC Clyde Space

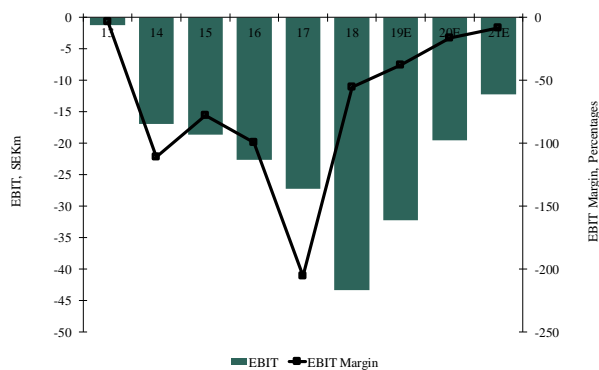
In connection with its third-quarter report, AAC Clyde Space stated that its order book amounted to SEK 179.6m, corresponding to 240% of the past 12 months' net sales. This was an increase from the end of 2018, when the figure was SEK 67m, or 86% of net sales. This bodes well for future growth, but it also means that AAC Clyde Space will have to manage to deliver in line with the order intake. We expect growth of 40% in 2020, excluding potential acquisitions, and an EBITDA margin that gradually rises and turns to annualized positive figures at the end of 2020. We then expect a declining growth rate that reaches 15% in 2022. Looking at our forecasts for 2024 and 2025, we see a reasonable target valuation of around SEK 7–9.50 per share. Similarly, we can say that expectations for 2023 are factored into the current share price.

AAC Clyde Space – Sales by Segment Q3 2019/12m



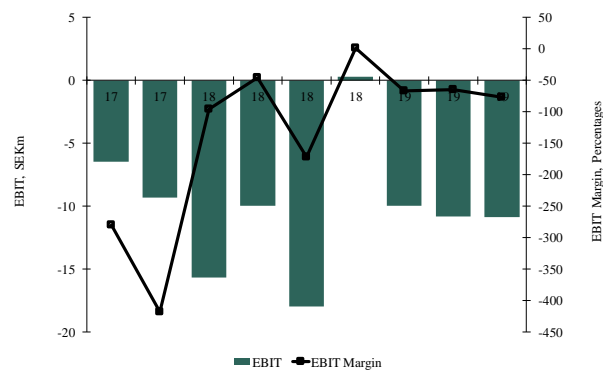
Source: Company Reports, Erik Penser Bank

AAC Clyde Space – Full-year EBIT Performance



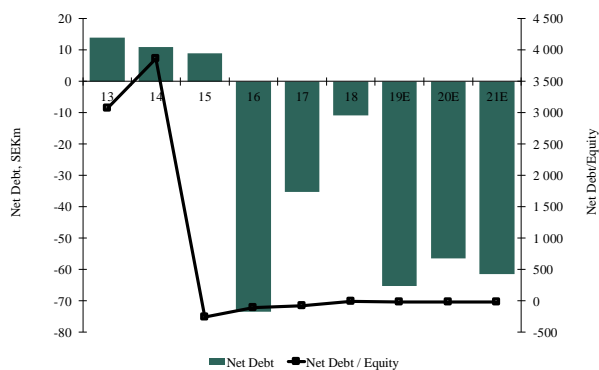
Source: Company Reports, Erik Penser Bank

AAC Clyde Space – Quarterly EBIT Performance



Source: Company Reports, Erik Penser Bank

AAC Clyde Space – Financial Position



Note: Negative numbers indicate a net cash position
Source: Company Reports, Erik Penser Bank

AAC Clyde Space – Share Structure, Management

Market Cap (SEKm)	495	
No of Outstanding Shares (m)	96,2	
Avg No of Daily Traded Shares (000s)	448	
Free Float (Shares)	89,7%	
Main Shareholders		
UBS SWITZERLAND AG, W8IMY	14,5%	14,5%
Fouriertransform AB	10,3%	10,3%
Medium invest A/S	9,3%	9,3%
SIX SIS AG, W8IMY	8,5%	8,5%
Others	57,4%	57,4%
Chairman	Rolf Hallencreutz	
CEO	Luis Gomes	
CFO	Mats Thideman	
IR	Mats Thideman	
Phone Number / Internet	+46 70 556 09 73 / www.aac-clyde.space	
Next Report	20 February 2020	

Source: Company Reports, Erik Penser Bank

Investment case

AAC Clyde Space was formed in 2018 when AAC Microtec from Uppsala, Sweden, acquired Clyde Space from Glasgow in Scotland. The two companies were founded in 2005. AAC Clyde Space offers turnkey solutions and services from mission design to on-orbit operations, including customizable satellite platforms. The share, ticker AAC, is traded on the Nasdaq First North Premier Growth Market.

Space as a Service in focus for the future

AAC Clyde Space supplies both satellite components and complete satellites, and is making future-oriented investment in what it calls Space as a Service. With this concept, the customer buys a turnkey product and pays on an ongoing basis. A comparison might be a mobile phone subscription where the purchase includes the hardware (mobile phone), data traffic, voice traffic and service. The customer approaches AAC Clyde Space with the type of data they are looking for, such as some form of communication or sensing, and AAC Clyde Space then analyzes the requirements for that type of satellite and assesses costs and time frames. Once the framework has been established, the satellite is manufactured and delivered to a launch site with which AAC Clyde Space has a partnership. Once the satellite is operational in orbit, AAC Clyde Space handles all control and delivers the customer's data as agreed. The customer can also supply its own payload, such as a camera, and then manage the operation of the satellite as desired. The customer can also choose to buy the satellite, which is then operated by AAC Clyde Space. This is advantageous in terms of tied up capital.

Expect industry growth of around 15 % per year

Given the track record, outlook and available forecasts, we believe it is reasonable to assume future market growth for small satellites of about 15% per year. We estimate that the market addressed by AAC Clyde Space should be regarded as largely global. The global market for communications represents the biggest driver.

Strong growth in order backlog is promising

In connection with its third-quarter report, AAC Clyde Space stated that its order book amounted to SEK 179.6m, corresponding to 240% of the past 12 months' net sales. This was an increase from the end of 2018, when the figure was SEK 67m, or 86% of net sales. The length of the order backlog is an estimated 12–18 months. This bodes well for future growth, but it also means that AAC Clyde Space will have to manage to deliver in line with the order intake.

Growth is the route to profit for AAC Clyde Space

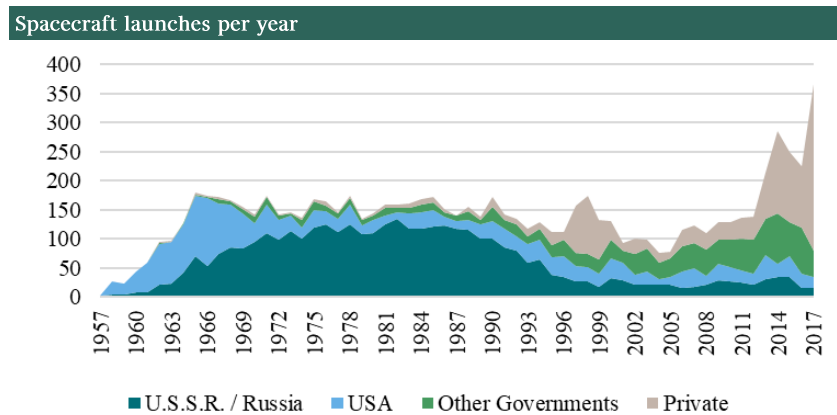
We expect growth of 40% in 2020, excluding potential acquisitions, and an EBITDA margin that gradually rises and turns to annualized positive figures at the end of 2020. We then expect a declining growth rate that reaches 15% in 2022, in line with the estimate for the industry as a whole.

AAC Clyde Space – Medium potential at high risk

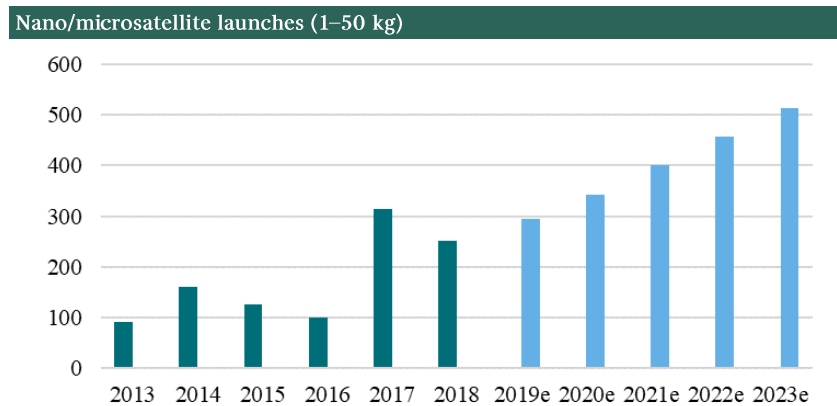
Looking at our forecasts for 2024 and 2025, we see reasonable target valuations of around SEK 700m and SEK 900m, corresponding to a price of SEK 7–9.50 per share. Similarly, we can say that expectations for 2023 are factored into the current share price.

Growing market for small satellites

The market for spacecraft and satellites has historically been dominated by governments, but is now increasingly in private hands. Since the start of the space race in the 1950s, with Sputnik 1 as the first satellite in orbit around the earth in 1957, development was entirely dominated by the Soviet Union and the United States. After a crescendo that peaked at about 150 spacecraft of one type or another launched each year towards the end of the 1960s, and culminating in the first moon landing on July 20, 1969, other countries and stakeholders were slowly seen entering the market. The end of the Cold War also marked the end of the peak of about 150 launches per year, but private interests soon started to make themselves known. After intense growth, especially over the past ten years, private operators now account for almost 80 % of all space launches in terms of numbers. Small satellites are an important driver for this development.



Source: Claude Lafleur's Spacecraft Encyclopedia, Erik Penser Bank



Source: SpaceWorks, Erik Penser Bank

Small satellites dominate the market

In 2017, approximately 70% of spacecraft launches were satellites weighing less than 10 kg (nanosatellites). According to SpaceWorks, almost 300 nano and microsatellites (10–100 kg) are expected to be launched into orbit in 2019, which represents an increase of about 17% compared to 2018. However, 2018 saw a decrease of about 20% compared to the breakthrough year 2017, when more than 300 satellites in this size category were launched. The increases are expected to be around 15% in the coming years.

Private companies are increasingly important in the market for small satellites

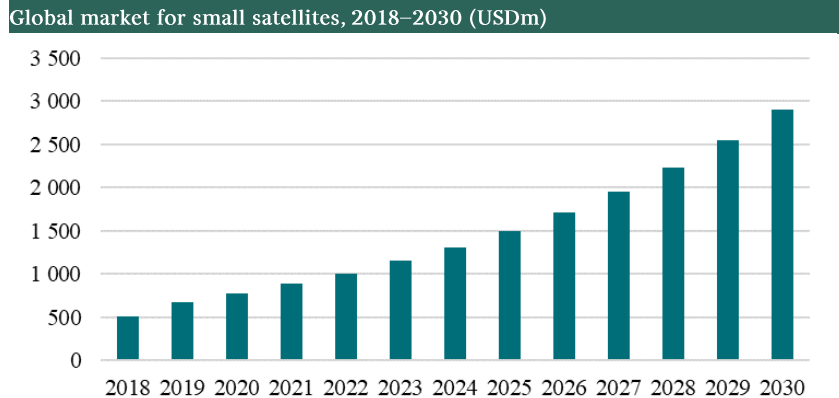
The proportion of satellites of this size used by private/for-profit companies is estimated to have been around 55% in recent years, a figure which, however, is expected to increase to almost 70% in the coming five-year period. The military share is estimated to be less than 10%, a figure that is also expected to decrease in the future. However, this is not due to a lack of growth in that market, but rather that they concentrate on larger satellites in the microsatellite segment of 50–300 kg.

Steep growth expected

The market for small satellites was worth USD 514m in 2018, and is expected to grow by about 14% per year from 2019 to 2030, according to BIS Research. Growth is largely being driven by the development of small low-cost satellites, which has been achieved through technological development and an improved ability to miniaturize components. Small satellites are used in areas such as weather forecasting, observation and navigation, and particularly in applications for the Internet of Things (IoT) and wireless broadband, which will drive demand going forward.

A generally stable price component in the market outlook

Assuming the value of the market grows by about 14% per year, and with anticipated annual growth of around 15% in the number of small satellites launched, price pressure is not expected to be a major problem in the coming years. However, this could become an issue at a later stage, and is discussed in the section on risks.

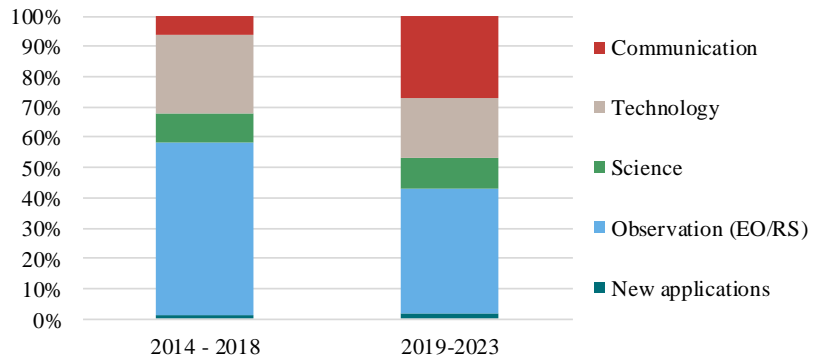


Source: BIS Research, Erik Penser Bank

Communication will be the driving segment

The market for earth observation and remote sensing (EO/RS) dominates the use of small satellites today, with a share of close to 60%. Technology accounts for about a quarter, while communications only account for about 6%. However, technologies in this segment are growing the fastest. Communication is expected to account for more than a quarter of the market over the coming five-year period.

User segments in the small satellite market



Source: BIS Research, Erik Penser Bank

Expect annual growth around 15 % going forward

Given the track record, outlook and available forecasts, we believe it is reasonable to assume future market growth for small satellites of about 15% per year. We estimate that the market addressed by AAC Clyde Space should be regarded as largely global. The global market for communications represents the biggest driver.

AAC Clyde Space – Space as a Service

AAC Clyde Space was formed in 2018 when AAC Microtec from Uppsala, Sweden, acquired Clyde Space from Glasgow in Scotland. The two companies were founded in 2005. AAC Clyde Space offers turnkey solutions and services from mission design to on-orbit operations, including customizable satellite platforms from 1 to 50 kg (referred to below as small satellites or nano/microsatellites). The share, ticker AAC, is traded on the Nasdaq First North Premier Growth Market.



Components form the first of three business arms

Satellite Bits are satellite components. These might include command and data handling circuits, batteries, power supply modules, communication modules, solar arrays and structures. This also includes standard components with short lead times.

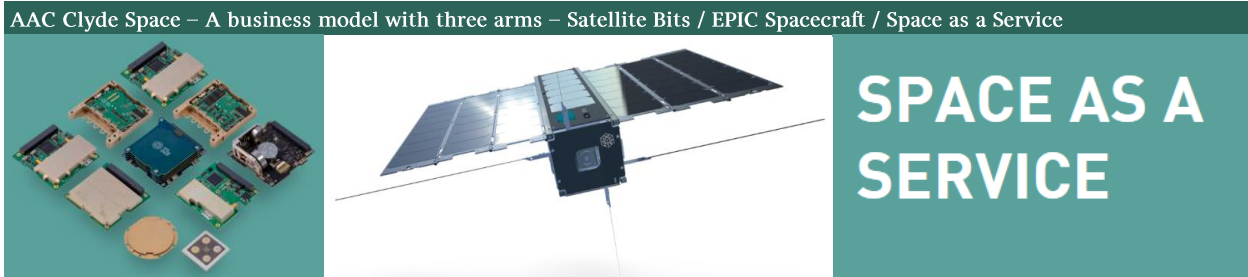
The second arm is complete satellites, called EPIC Spacecraft

EPIC Spacecraft is the AAC Clyde Space product line for complete satellite systems. The model range includes the EPIC 1U, EPIC 3U (example shown below), EPIC 6U and EPIC 12U. One unit, or 1U, is a standard in what is called CubeSats, or U-class spacecraft, and corresponds to the dimensions 10 cm x 10 cm x 11.35 cm. These satellites can be configured for a variety of tasks according to the buyer's requirements and have a design life of 5 years. They are largely manufactured with materials and components that can be termed off-the-shelf, intended for mass production and delivery to satellite constellations.

Space as a Service – the third leg and the focus for the future

With Space as a Service, the customer buys an overall concept and pays on an ongoing basis. A comparison might be a mobile phone subscription where the purchase includes the hardware (mobile phone), data traffic, voice traffic and service. The customer approaches AAC Clyde Space with the type of data they are looking for, such as some form of communication or sensing. AAC Clyde Space then analyzes the specifications for that type of satellite and assesses costs and time frames. Once the framework has been established, the satellite is manufactured and delivered to a launch site with which AAC Clyde Space has a partnership. Once the satellite is operational in orbit, AAC Clyde Space handles all control and delivers the customer's data as agreed. The customer can also supply its own payload, such as a camera, and then manage the operation of the satellite as desired. In this business model, the customer can also choose to buy the satellite, which is then operated by AAC Clyde Space

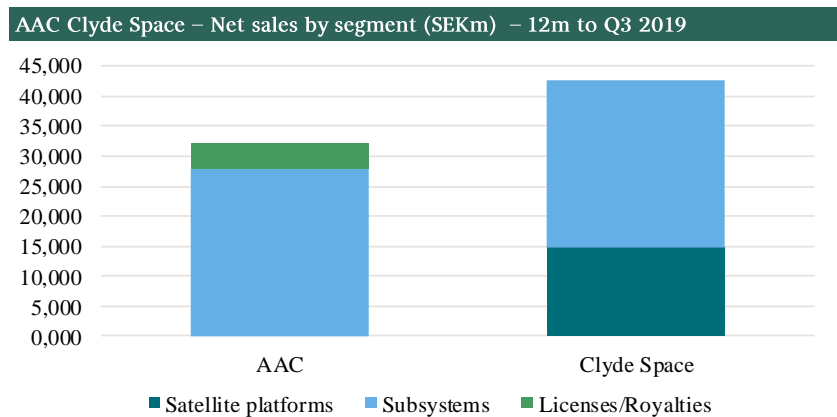
on behalf of the customer. This arrangement is beneficial in terms of tied up capital.



Source: AAC Clyde Space, Erik Penser Bank

Sales currently dominated by subsystems, followed by satellite platforms

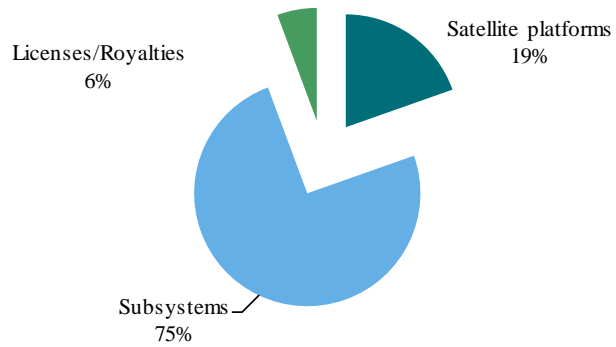
The largest share of sales at AAC Clyde Space currently comes from what is referred to in the accounts as Subsystems. Satellite platforms come from the operations that originate in Clyde Space, while revenue from licenses and royalties come from AAC, formerly called AAC Microtec.



Source: AAC Clyde Space, Erik Penser Bank

If we look at AAC Clyde Space as a whole, the revenue base is dominated by subsystems, corresponding to 75% of net sales in the past 12 months. Satellite platforms accounted for 19%, while licenses and royalties accounted for only 6%. With this revenue base, the company has shown large losses in recent years. The gross margin has been around 60%, but high costs have meant an EBITDA margin of -25% over the past 12 months. In Q3 2019, the EBITDA margin was -56%. AAC Clyde Space does not have any major cost-saving program or similar underway that will turn these numbers into profits based on existing sales, and growth and mix changes will lead the way, with Space as a Service and deliveries to growing satellite constellations as the guiding stars.

AAC Clyde Space – Net sales by segment – 12m to Q3 2019



Source: AAC Clyde Space, Erik Penser Bank

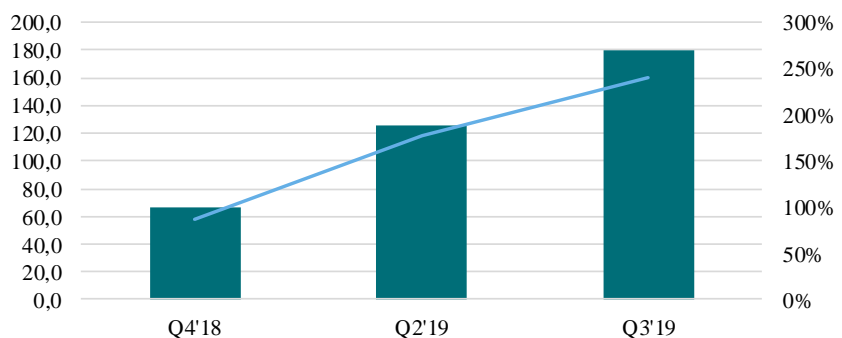
Space as a Service will be the driver to profitability for AAC Clyde Space

We expect future market growth of 15%, based on various industry assessments of the small satellite market. We believe this figure is reasonable to assume since the Space as a Service concept will be an important part of this growth, even for the market as a whole. It will be essential for AAC Clyde Space to take more than its fair share of this in order to achieve profit-generating growth. AAC Clyde Space’s order backlog suggests this is the case, and this is also reflected in our forecasts.

Strong growth in order backlog is promising

In connection with its third-quarter report, AAC Clyde Space stated that its order book amounted to SEK 179.6m, corresponding to 240% of the past 12 months’ net sales. This was an increase from the end of 2018, when the figure was SEK 67m, or 86% of net sales. The length of the order backlog is an estimated 12–18 months. This bodes well for future growth, but it also means that AAC Clyde Space will have to manage to deliver in line with the order intake. Difficulties in the industry in dealing with increased volumes are a lot about being able to recruit and retain key skills, particularly developers and engineers specialized in the satellite industry. This also applies to AAC Clyde Space, and the signs are important to watch for.

AAC Clyde Space – Order book (SEKm) and relation to sales (12m)



Source: AAC Clyde Space, Erik Penser Bank

Opportunities for increased market shares and for following growing customers

On the whole, AAC Clyde Space’s market share, defined as revenue relative to the total market for small satellites, can be estimated to be about 1.5%. Major players in the space industry include BAE Systems, Planet Labs, Maxar

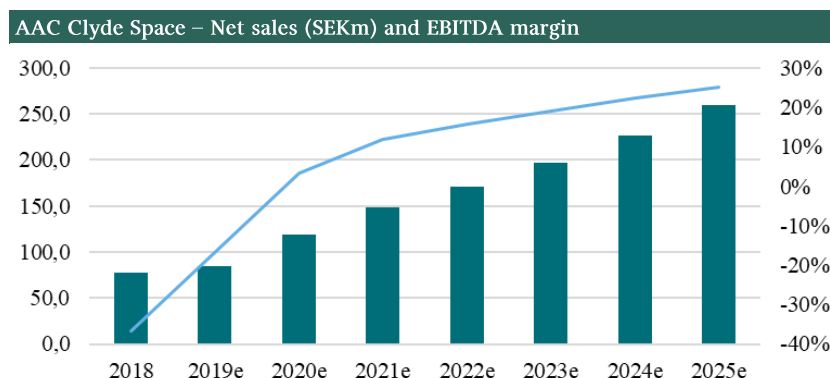
Technologies, Innovative Solutions in Space BV, Boeing, Tyvak Nano-Satellite Systems, Airbus, Harris Corporation, Lockheed Martin, Thales Group, Northrop Grumman, OHB System, OneWeb and QinetiQ Group. Most of these companies are large conglomerates, which can mean both risks and opportunities for AAC Clyde Space. As a smaller, more specialized company, being able to put all its focus on the development of its small satellite business is an advantage. AAC Clyde Space could also be an acquisition target in the continued consolidation of the market. Being able to tie in individual customers who then increase their footprint in space can also mean high growth levels for a relatively small company like AAC Clyde Space.

Also looking at acquisitions, which could accelerate growth

AAC Clyde Space has a stated ambition to grow through acquisitions. These are likely to be small to medium-sized companies, with sales likely equivalent to 0–30% of AAC Clyde Space’s own sales. This could involve important technologies, or even companies sitting on lucrative contracts, such as in the US defense industry. We have not included any acquisitions in our forecasts.

Growth is the route to profit for AAC Clyde Space

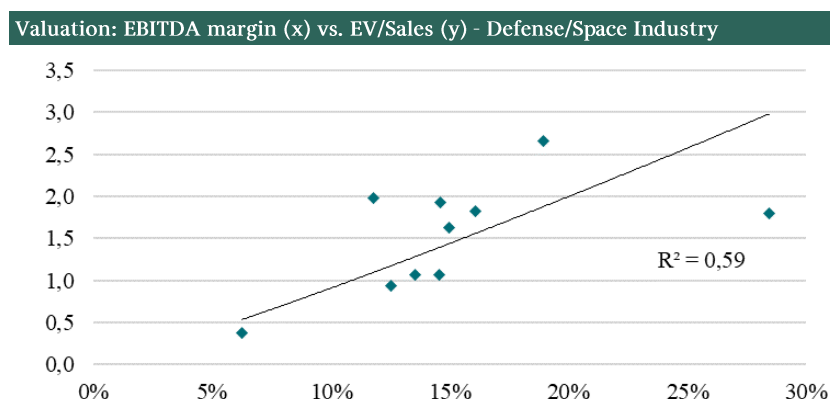
We expect growth of 40% in 2020, excluding potential acquisitions, and an EBITDA margin that gradually rises and turns to positive figures. We then expect a declining growth rate that reaches 15% in 2022, in line with the estimate for the industry as a whole.



Source: AAC Clyde Space, Erik Penser Bank

Growth will drive the valuation

A company like AAC Clyde Space, operating in a high growth industry that it now looks set to outpace, will be valued based on how well it manages to deliver on this growth going forward. The reported order backlog, with an estimated average length of about 12–18 months, suggests sales in 2020 of about SEK 120m, corresponding to annual growth of about 40% from 2019 (compared with 36% in Q3 2019). We then expect the growth rate in the following years to gradually approach the estimated level in the industry at around 15%. As long as growth and profit improvements are delivered continuously, the focus will be on expectations a few years ahead, rather than the current year. Looking at our forecasts for 2024 and 2025, we see reasonable target valuations of around SEK 700m and SEK 900m, corresponding to a price of SEK 7–9.50 per share. Similarly, we can say that expectations for 2023 are factored into the current share price.



Source: Erik Penser Bank

EV/EBITDA around 9x for the industry

If we look at pure EV/EBITDA multiples, these are around 9x in valuations of the industry. In that perspective, it is now factored in that AAC Clyde Space will deliver an EBITDA of approximately SEK 40m in 2023. The profits will not come through cost savings, but through growth, especially within Space as a Service.

Stable balance sheet in anticipation of positive cash flows

At the end of Q3 2019, AAC Clyde Space had cash and cash equivalents of SEK 59.6m and an unutilized overdraft facility of SEK 5m. If we also add a potential capital contribution of SEK 4.5m from the exercise of warrants before the end of 2020, the total liquidity amounts to SEK 69.1m. Average EBITDA per quarter for the past two years has been SEK -7.2m. Given this, AAC Clyde Space has the liquidity necessary for an investment in the share to entail a limited risk of new capital being needed in the short term. We expect AAC Clyde Space to achieve positive EBITDA on an annual basis at the end of 2020. AAC Clyde Space has not delivered profits historically. The market growth is there, and now the concept of Space as a Service will have to deliver the growth and the consequent profits.

Board and management

Rolf Hallencreutz (born 1950) – Chairman

MSc Logistics and Finance, Chalmers University of Technology, Gothenburg. Rolf Hallencreutz has experience from start-ups and major multinational companies within IT, industrial companies, life science and shipping. Rolf's experiences among other fast-growing companies range from Chairman of the Board and CEO to Sales Management.

Per Aniansson (born 1966) – Director

MSc Technical Physics, Chalmers University of Technology in Gothenburg and MBA, Finance and Entrepreneurship, INSEAD Business School in France. Per Aniansson was formerly Investment Director for Fouriertransform, a state-owned investment company. Per has previously held CEO and Financial Management roles within leading venture capital-owned companies.

Per Danielsson (born 1962) – Director

MSc, Chalmers University of Technology. Per Danielsson is an expert in evaluating EU applications and carries out assignments for the EU as a business coach for small businesses. His business experience encapsulates everything from organizational development, strategy, international business and financing, through to executing company sales to large global groups.

Will Whitehorn (born 1960) – Director

Master's Degree in History, University of Aberdeen. Will Whitehorn has previously been CEO of Virgin Galactic, active in "human spaceflight". He is also Chairman of the board of a number of unlisted companies in the UK and sits on the board of Stagecoach Group PLC (Vice Chairman), GVC Holdings PLC and Purplebricks Group PLC, all listed on the London Stock Exchange.

Anita Bernie (born 1970) – Director

Bachelor's degree in Aerospace Engineering and a Master of Business Administration. Anita Bernie has been working at KISPE Space Systems Limited as Strategic Business Manager since 2018. Prior to this, she worked at Surrey Satellite Technology Limited since 1997, most recently as a member of the group management.

Luis Gomes (born 1971) – CEO and Acting VP Business Development

MSc Satellite Technology from the University of Surrey and a Bachelor of Science in Applied Physics from the University of Lisbon. Luis Gomes has 25 years of experience in the space industry, and specializes in the small satellite field. He most recently comes from the British SSTL where he was most recently CTO and Executive Director with responsibility for defining and implementing both technical and commercial strategies.

Mats Thideman (born 1963) – CFO and Deputy CEO

MSc Industrial Economics, Linköping Institute of Technology. Mats Thideman is responsible for finance, IT and staff. Mats has long experience as CFO from growing industrial companies, as well as public and venture capital owners, such as Åkerströms, Image Systems (publ.), TracTechnology (publ.) and most recently Cortus Energy AB (publ.).

Craig Clark (born 1973) – CSO and Acting CEO AAC Microtec North America Inc.

Bachelor's Degree in Electrical Engineering from the University of Glasgow and a Master's Degree in Satellite Engineering from the University of Surrey. Having founded Clyde Space 2005, Craig has established the company as a global leader in CubeSats, introducing cutting-edge new technologies and products that have stimulated the growth of the small satellite market, thus achieving an unprecedented number of ongoing and planned missions. With a combined experience of over 23 years at the forefront of the small satellite market, Craig, along with his management colleagues, will work to maximize business growth potential in the rapidly growing small satellite market.

Andrew Strain (born 1981) – CTO

MEng in Electrical and Electronic Engineering with Business Studies from the University of Strathclyde. In his role as Development Manager at Clyde Space, Andrew has over a decade of experience in developing and delivering small satellites. In his role as CTO, Andrew contributes with a wide range of relevant skills such as systems engineering knowledge, product development, manufacturing, project management, quality and business development.

Shareholders

The largest identified shareholder in AAC Clyde Space is Fouriertransform (10.3%), which since 2017 is a subsidiary of venture capital company Saminvest, owned by the state. Fouriertransform makes no new investments and will in the coming years divest its holdings to finance Saminvest's fund investments.

Shareholders – AAC Clyde Space (30 September 2019)		
Shareholder	No of shares	Votes and capital
UBS Switzerland AG	13 965 911	14,5%
Fouriertransform AB	9 888 688	10,3%
Medium Invest AB	8 063 576	8,4%
SIX SIS AG	7 863 021	8,2%
Avanza Pension	3 657 378	3,8%
BNY Mellon SA/NV	2 038 972	2,1%
John Kock	1 875 521	1,9%
Nordnet Pension	1 773 004	1,8%
Jan Christer Petersen	1 612 536	1,7%
John Fällström	1 000 000	1,0%
Others	44 469 152	46,2%
Total	96 207 759	100,0%

Source: AAC Clyde Space, Erik Penser Bank

Warrants 2015/2020

There are outstanding warrants, issued to a limited circle of staff and directors, corresponding to approximately SEK 4.5m if fully exercised. The subscription price of SEK 4.80 is close to the current share price and the warrants can be exercised until the end of 2020. However, this is of marginal importance for the valuation as the potential capital contribution corresponds to about 1% of AAC Clyde Space's market capitalization, or currently about one financial quarter of deficit in terms of EBITDA.

AAC Clyde Space – Warrants 2015/2020		
Terms	Warrants outstanding	Potential capital injection (SEK)
1 warrant => 50 shares @ SEK 4,80	18 960	4 550 400

Source: AAC Clyde Space, Erik Penser Bank

Risks

The risks associated with an investment in AAC Clyde Space primarily consist of factors that can cause the growth of the Space as a Service concept to fail or to be slower than expected, resulting in no profits and new capital requirements. Below are some examples of such risks. With total liquidity of SEK 69.1m, against average EBITDA per quarter over the past two years of SEK -7.2m, we see a limited risk of new capital needs in the short term.

Market growth is slower than expected and profits are not realized

If growth in the market for small satellites, which will also be driven by the concept of Space as a Service, is slower than expected, the potential to show profit in the foreseeable future is likely to fail. Neither AAC Clyde Space nor its competitors have managed to show profits historically. The way to reverse this lies in higher volumes. It remains to be seen whether AAC Clyde Space can take at least its fair share of market growth.

AAC Clyde Space fails to grow in line with the market

If AAC Clyde Space fails to take market share, or at least grow in line with the market, this would place a question mark over the product.

Difficulties in recruiting and retaining staff

High demand for specialist expertise in the space industry, particularly for developers and engineers, is a risk factor that could hamper development of both the company and the industry as a whole.

Price and cost pressures within the Space as a Service concept

If competition intensifies too quickly within the Space as a Service concept, resulting in overhanging price pressure, the concept risks not delivering according to expectations. Cost pressures from subcontractors of services necessary to deliver Space as a Service are also something that could adversely affect the outlook.

Geopolitical risks

Geopolitical risks impacting the space industry cannot be ignored.

AAC Clyde Space – Our Estimate Changes (SEK)

	2019E			2020E			2021E		
	Old	New	Change	Old	New	Change	Old	New	Change
Sales	-	85	-	-	119	-	-	149	-
EBIT	-	-32	-	-	-19	-	-	-12	-
EPS Adjusted	-	-0,34	-	-	-0,21	-	-	-0,14	-

Source: Erik Penser Bank

AAC Clyde Space – Income Statement, Cash Flow and Balance Sheet (SEKm)

Income Statement

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Net Sales	35	15	24	23	13	78	85	119	149
Other Operating Income	3	9	1	4	4	11	18	23	29
Cost of goods sold	-11	-8	-8	-8	-5	-31	-36	-48	-59
Gross Profit	27	17	17	19	13	58	67	94	118
Selling Expenses	-	-	-	-	-	-	-	-	-
Administrative Expenses	-	-	-	-	-	-	-	-	-
Research and development costs	-	-	-	-	-	-	-	-	-
Other Operating Costs	-	-	-	-	-	-	-	-	-
EBITDA	-0	-16	-17	-17	-21	-28	-14	4	18
Depreciation	-1	-1	-2	-6	-6	-15	-18	-23	-30
Amortisation of Goodwill	0	0	0	0	0	0	0	0	0
EBIT	-1	-17	-19	-23	-27	-43	-32	-19	-12
Non-recurring Items	0	0	0	0	0	0	0	0	0
Associated Companies	0	0	0	0	0	0	0	0	0
Net Financial Items	-1	-1	-1	-2	-0	-0	-1	-1	-1
Pre-tax Result	-2	-18	-20	-24	-27	-44	-33	-20	-13
Tax	0	0	-0	-0	-0	1	0	0	0
Minority Interest	0	0	0	0	0	0	0	0	0
Net Result	-2	-18	-20	-24	-27	-43	-33	-20	-13

Cash Flow

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
EBITDA	-0	-16	-17	-17	-21	-28	-14	4	18
Change in Working Capital	0	0	0	0	-4	-20	0	-2	-2
Other Operating Cash Items	0	0	0	0	0	0	0	0	0
Operating Cash Flow	-1	-17	-18	-18	-25	-49	-14	1	15
Net Financial Costs	-1	-1	-1	-2	-0	-0	-1	-1	-1
Taxes Paid	0	0	-0	-0	-0	-0	0	0	0
Capital Expenditure	0	0	-1	-4	-4	-2	-3	-10	-10
Free Cash Flow	-1	-17	-19	-24	-29	-51	-18	-10	4
Dividends	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	-18	0	0	0
Disposals	-	-	-	-	-	-	-	-	-
Equity Issue/Share Buybacks	0	0	8	120	0	50	72	0	0
Other Adjustments	1	1	10	-27	-12	-6	1	1	1
Total Cash Flow	-1	-17	-1	70	-41	-25	54	-9	5
Other Non-cash Adjustments	-	-	-	-	-	-	-	-	-
Net Debt	14	11	9	-73	-35	-11	-65	-56	-61

Balance Sheet

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
ASSETS									
Goodwill	0	0	0	0	0	361	361	361	361
Other Intangible Assets	9	17	16	15	16	32	32	32	32
Tangible Assets	-	-	-	-	-	-	-	-	-
Shares in Participations	-	-	-	-	-	-	-	-	-
Other Fixed Assets	3	3	0	0	0	0	0	0	0
Total Fixed Assets	14	22	18	15	16	397	382	368	349
Inventories	1	1	1	1	2	6	6	8	10
Accounts Receivable	1	3	17	8	4	10	9	13	16
Other Current Assets	12	3	0	0	5	27	27	27	27
Cash and Cash Equivalents	0	1	0	78	37	12	67	58	63
Total Current Assets	14	8	19	87	47	56	109	106	117
TOTAL ASSETS	28	29	36	102	64	453	491	475	465
EQUITY AND LIABILITIES									
Shareholder Equity	0	0	-3	70	46	412	451	431	418
Minority Interest	0	0	0	0	0	0	0	0	0
Total Equity	0	0	-3	70	46	412	451	431	418
Long-term Financial Liabilities	1	7	4	2	0	1	1	1	1
Pension Provisions	0	0	0	0	0	0	0	0	0
Deferred Tax Liabilities	-	-	-	-	-	-	-	-	-
Other Long-term Liabilities	0	0	0	0	0	4	4	4	4
Total Long-term Liabilities	1	7	4	2	0	5	5	5	5
Current Financial Liabilities	12	5	6	2	2	0	0	0	0
Accounts Payable	9	5	3	3	2	11	10	14	18
Tax Liabilities	-	-	-	-	-	-	-	-	-
Other Current Liabilities	5	13	27	24	14	24	24	24	24
Total Current Liabilities	26	23	36	30	18	36	35	39	42
TOTAL EQUITY AND LIABILITIES	28	29	36	102	64	453	491	475	465

Source: Company Reports, Erik Penser Bank

AAC Clyde Space – Valuation and Key Ratios (SEK)

Per Share Data

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
EPS Reported	0,00	-91,22	-90,75	-2,52	-0,86	-0,65	-0,34	-0,21	-0,14
EPS Adjusted	0,00	-91,22	-90,75	-2,52	-0,86	-0,65	-0,34	-0,21	-0,14
CEPS	0,00	-79,25	-2,77	2,21	-1,28	-0,36	0,57	-0,09	0,05
Free Cash Flow	0,00	-82,84	-68,71	-0,75	-0,92	-0,75	-0,19	-0,10	0,04
Dividend	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Book Value	0,00	1,37	-12,35	2,22	1,45	6,00	4,69	4,48	4,34
Tangible Book Value (Excl Goodwill)	NM	1,37	-12,35	2,22	1,45	0,75	0,94	0,73	0,59
Net Asset Value	0,00	1,37	-12,35	2,22	1,45	6,00	4,69	4,48	4,34
Net Debt	0,00	52,79	32,17	-2,32	-1,11	-0,16	-0,68	-0,59	-0,64
Enterprise Value	-	-	-	-0,00	7,71	3,44	4,47	4,56	4,51
Diluted No of Shares, Weighted Average (m)	-	0,2	0,2	9,7	31,7	65,6	96,2	96,2	96,2
Diluted No of Shares, Year-end (m)	-	0,2	0,3	31,7	31,7	68,7	96,2	96,2	96,2

Valuation

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
P/E Reported	-	-	-	NM	NM	NM	NM	NM	NM
P/E Adjusted	-	-	-	NM	NM	NM	NM	NM	NM
P/CEPS	-	-	-	3,4	NM	NM	9,1	NM	96,9
P/FCFPS	-	-	-	NM	NM	NM	NM	NM	114,9
FCF Yield	-	-	-	-9,9	-10,4	-20,7	-3,7	-2,0	0,9
Dividend Yield	-	-	-	0,0	0,0	0,0	0,0	0,0	0,0
Dividend Payout Ratio Adjusted	NM	NM	NM	NM	NM	NM	NM	NM	NM
P/BV	-	-	-	3,43	6,10	0,60	1,10	1,15	1,19
P/Tangible BV	-	-	-	3,43	6,10	4,83	5,49	7,08	8,70
P/NAV	-	-	-	3,43	6,10	0,60	1,10	1,15	1,19
EV/Sales	-	-	-	NM	18,41	2,90	5,25	3,75	3,00
EV/EBITDA	-	-	-	0,0	NM	NM	NM	114,2	25,2
EV/EBIT	-	-	-	0,0	NM	NM	NM	NM	NM
Share Price, Year-end	-	-	-	7,60	8,82	3,60	5,15	5,15	5,15
Share Price, High	-	-	-	7,99	10,35	13,00	6,02	-	-
Share Price, Low	-	-	-	6,07	3,44	3,01	2,62	-	-
Share Price, Average	-	-	-	7,45	6,27	5,94	4,28	-	-
Market Cap, Year-end and Current (SEKm)	-	-	-	73	280	237	495	495	495
Enterprise Value, Year-end and Current (SEKm)	-	-	-	-0	245	226	446	446	446

Growth Rate and Margins

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales Growth, YoY	-	-56,0	57,1	-4,6	-41,8	486,4	9,1	40,0	25,0
EBIT Growth, YoY	-	NM	NM	NM	NM	NM	NM	NM	NM
EPS Adjusted Growth, YoY	-	-	NM	NM	NM	NM	NM	NM	NM
EBITDA Margin	-0,6	-103,8	-69,6	-73,3	-161,1	-36,6	-16,8	3,3	11,9
EBITA Margin	-3,5	-110,8	-77,9	-99,1	-205,2	-55,5	-37,9	-16,4	-8,2
EBIT Margin	-3,5	-110,8	-77,9	-99,1	-205,2	-55,5	-37,9	-16,4	-8,2
Pre-tax Margin Adjusted	-5,3	-115,7	-81,5	-106,5	-205,5	-56,0	-38,9	-17,1	-8,8
Net Margin Adjusted	-5,3	-115,7	-81,5	-106,5	-205,7	-54,8	-38,6	-17,1	-8,8
Tax Rate	NM	NM	NM	NM	NM	NM	NM	NM	NM

Profitability

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Return on Equity, ROE	-	-4 777,0	1 226,3	-72,7	-47,0	-18,6	-7,6	-4,6	-3,1
Return on Equity 5-Year Average	-	-	-	-	-	-737,8	216,1	-30,1	-16,2
Return on Capital Employed, ROCE	-	-131,5	-220,9	-1 864,4	-723,5	-21,0	-8,2	-5,1	-3,3
Return on Capital Employed 5-Year Average	-	-	-	-	-	-592,3	-567,6	-524,4	-152,2

Capital Expenditure and Efficiency

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Capital Expenditure	0	0	1	4	4	2	3	10	10
Capex/Sales	0,0	0,0	3,8	16,3	30,2	2,9	3,5	8,4	6,7
Capex/Depreciation	0,0	0,0	0,5	0,6	0,7	0,2	0,2	0,4	0,3
Inventory/Sales	2,1	4,5	4,2	6,1	14,4	8,3	7,0	7,0	7,0
Receivables/Sales	4,2	20,8	72,2	32,9	27,2	13,0	11,0	11,0	11,0
Payables/Sales	26,4	30,5	13,4	15,0	15,2	14,2	12,0	12,0	12,0
Net Working Capital/Sales	-20,1	-5,1	63,0	24,1	26,5	7,1	6,0	6,0	6,0
Asset Turnover	-	0,53	0,73	0,33	0,16	0,30	0,18	0,25	0,32

Financial Position

	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Interest-bearing Net Debt (SEKm)	14	11	9	-73	-35	-11	-65	-56	-61
Equity Ratio	1,6	1,0	-9,6	68,9	72,0	91,0	91,8	90,7	89,8
Net Debt/Equity	30,72	38,59	-2,60	-1,04	-0,77	-0,03	-0,14	-0,13	-0,15
Net Debt/Market Cap	-	-	-	-1,00	-0,13	-0,05	-0,13	-0,11	-0,12
Net Debt/EBITDA	-72,3	-0,7	-0,5	4,4	1,6	0,4	4,6	-14,4	-3,5

Note: Key ratios based on fully diluted number of shares. Historical key ratios are calculated using the year-end share price.

Source: Company Reports, Erik Penser Bank

AAC Clyde Space – Quarterly Operating Performance (SEKm)

Income Statement

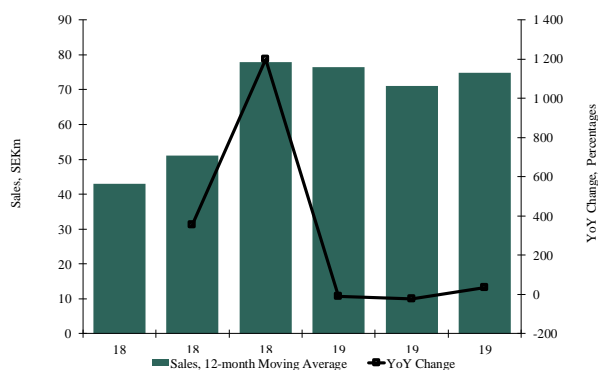
	Q416	Q117	Q217	Q317	Q417	Q118	Q218	Q318	Q418	Q119	Q219	Q319
Net Sales	-	-	-	2	2	16	22	10	29	15	17	14
Other Operating Income	-	-	-	1	1	1	3	1	5	3	3	4
Other Operating Costs	-	-	-	-9	-12	-29	-26	-23	-23	-21	-24	-23
EBITDA	-	-	-	-5	-7	-12	-6	-14	3	-6	-8	-9
Depreciation and Amortisation	-	-	-	-1	-2	-3	-4	-4	-3	-3	-3	-2
EBIT	-	-	-	-6	-9	-16	-10	-18	0	-10	-11	-11
Non-recurring Items	-	-	-	0	0	0	0	0	0	0	0	0
Associated Companies	-	-	-	0	0	0	0	0	0	0	0	0
Net Financial Items	-	-	-	-0	0	-0	-0	-0	-0	-0	-0	1
Pre-tax Result Reported	-	-	-	-6	-9	-16	-10	-18	0	-10	-11	-10
Pre-tax Result Adjusted	-	-	-	-6	-9	-16	-10	-18	0	-10	-11	-10
Tax	-	-	-	0	-0	0	0	0	0	0	0	1
Minority Interest	-	-	-	0	0	0	0	0	0	0	0	0
Net Result Reported	-	-	-	-6	-9	-15	-10	-18	0	-10	-11	-9

Growth Rates and Margins

	Q416	Q117	Q217	Q317	Q417	Q118	Q218	Q318	Q418	Q119	Q219	Q319
Sales Growth, YoY	-	-	-	-	-	-	-	353,4	1 198,8	-9,0	-24,2	35,9
EBIT Growth, YoY	-	-	-	-	-	-	-	NM	NM	NM	NM	NM
EBITDA Margin	-	-	-	-226,5	-326,3	-74,6	-26,5	-132,5	11,9	-43,4	-46,0	-61,6
EBIT Margin	-	-	-	-279,9	-417,9	-95,2	-45,2	-171,8	1,0	-66,5	-64,7	-76,5
Pre-tax Margin Adjusted	-	-	-	-280,0	-417,9	-95,4	-45,5	-173,6	0,7	-68,0	-66,5	-71,6
Tax Rate	-	-	-	NM	NM	NM	NM	NM	-126,4	NM	NM	NM

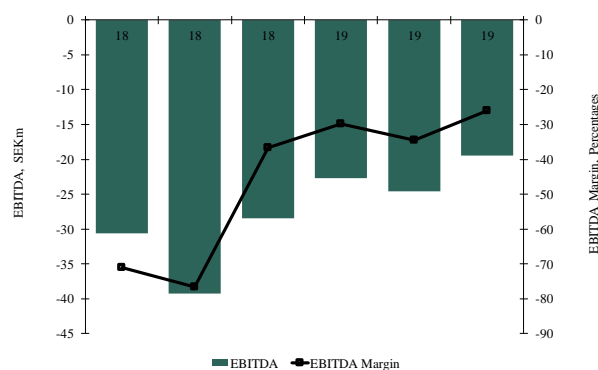
Source: Company Reports, Erik Penser Bank

AAC Clyde Space – Sales, 12-month Moving Average



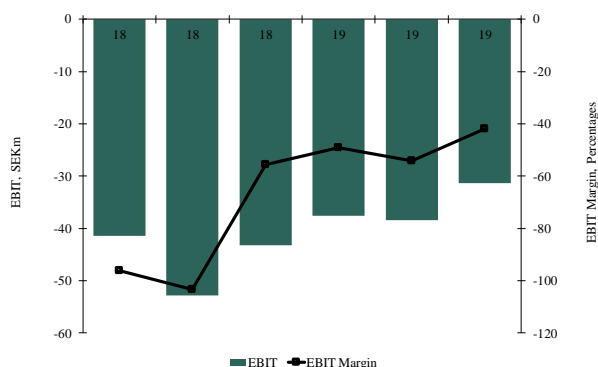
Source: Company Reports, Erik Penser Bank

AAC Clyde Space – EBITDA, 12-month Moving Average



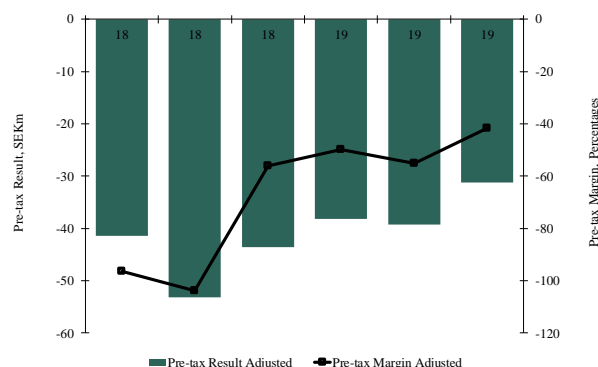
Source: Company Reports, Erik Penser Bank

AAC Clyde Space – EBIT, 12-month Moving Average



Source: Company Reports, Erik Penser Bank

AAC Clyde Space – Pre-tax Result, 12-month Moving Average



Source: Company Reports, Erik Penser Bank

Denna publikation (nedan "Publikationen" har sammanställts av Erik Penser Bank (nedan "Banken") exklusivt för bankens kunder. Innehållet har grundats på information från allmänt tillgängliga källor vilka bedömts som tillförlitliga. Sakinnehållets riktighet och fullständighet liksom lämnade prognoser och rekommendationen kan således inte garanteras. Banken kan låta medarbetare från annan avdelning eller analyserat bolag (nedan "bolaget") läsa fakta eller serier av fakta för att få dessa verifierade. Banken lämnar inte i förväg ut slutsatser eller omdömen i Publikationen. Åsikter som lämnats i Publikationen är analytikernas åsikter vid tillfället för upprättandet av Publikationen och dessa kan ändras. Det lämnas ingen försäkran om att framtida händelser kommer att vara i enlighet med åsikter framförda i Publikationen.

Informationen i Publikationen ska inte uppfattas som en uppmaning eller råd att ingå transaktioner. Informationen tar inte sikte på enskilda mottagares kunskaper och erfarenheter av placeringar, ekonomiska situation eller investeringsmål. Informationen är därmed ingen personlig rekommendation eller ett investeringsråd.

Banken fransäger sig allt ansvar för direkt eller indirekt skada som kan grunda sig på denna Publikation. Placeringar i finansiella instrument är förenade med ekonomisk risk. Placeringen kan öka eller minska i värde eller bli helt värdelös. Att en placering historiskt haft en god värdeutveckling är ingen garanti för framtiden.

Potential och risk

Banken använder sig av en rad olika värderingsmodeller för att värdera finansiella instrument. Bland dessa finns kassaflödesmodeller, multipelvärdering samt styckningskalkyler. Väsentliga antaganden för värderingen baseras på vid var tid tillgänglig marknadsdata.

Den i Publikationen lämnade analysen har utförts i enlighet med villkoren för tjänsten "Penser Access" som Banken utför åt analyserat bolag. Banken erhåller ersättning för nämnda tjänst från det analyserade bolaget.

Vi klassificerar aktien enligt skalan Hög, Medel, Låg utifrån en tvådimensionell modell bestående av potential och risk.

Banken relaterar potentialen till vedertagna värderingsmetoder givet ett enligt oss rimligt scenario för bolagets framtida utveckling. I det här sammanhanget definierar vi låg potential som maximalt 10% förväntad totalavkastning den kommande tolv månadersperioden. För att aktien skall erhålla klassificeringen Hög potential krävs det att vi ser en totalavkastning på minst 50%. Denna kan dock ligga ett par år bort i tiden.

Vad gäller risk analyserar vi ett antal kända parametrar som är relevanta för bolaget. En generell riktlinje för att klassificeras som låg risk är att bolaget har positivt kassaflöde och att ingen enskild faktor påverkar omsättningen mer än 20%. Motsvarande generella beskrivning av hög risk är att bolaget inte nått positivt kassaflöde alternativt att en enskild faktor påverkar omsättningen mer än 50%.

Potential- och riskklassificeringen uppdateras kontinuerligt.

Klicka <https://www.penser.se/historiska-analysrekommendationer/> för att se historik över investeringsrekommendationer från Banken.

Allmänt

Bankens medgivande krävs om hela eller delar av denna Publikation mångfaldigas eller sprids. Publikationen får inte spridas till eller göras tillgänglig för någon fysisk eller juridisk person i USA (med undantag av vad som framgår av Rule 15a – 16, Securities Exchange Act of 1934), Kanada eller något annat land som i lag fastställt begränsningar för spridning och tillgänglighet av materialets innehåll.

Banken har utarbetat en Etikpolicy samt en Intressekonfliktpolicy. Dessa syftar till att förebygga och förhindra intressekonflikter mellan kunders intressen och avdelningar inom Banken. Sättet som Banken använder för att förebygga intressekonflikter är bl. a. restriktiva kommunikationer (Chinese Walls). Analysavdelningen är fysiskt belägen avskild från Corporate Finance-avdelningen, som sitter i egen lokal. Corporate Finance-avdelningen får inte delta i framtagandet eller lämna synpunkter på en publikation. Det kan dock, från tid till annan, föreligga ett uppdragsförhållande eller rådgivningssituation mellan ett bolag som förekommer i en Publikation och någon annan avdelning i Banken än Analysavdelningen. Banken har utarbetat interna restriktioner för när anställdas handel får ske i ett finansiellt instrument som är föremål för Investeringsrekommendation.

Från tid till annan utför Banken uppdrag för ett bolag som är omnämnt i en publikation. Banken kan bl. a. vara rådgivare eller emissionsinstitut, till bolaget eller likviditetsgarant i ett av bolagets värdepapper. Om så är fallet har det angivits i Publikationen. Banken, dess ägare, styrelseledamöter eller anställda kan äga aktier i omnämnt bolag. Alla anställda i Banken ska redovisa sina innehav värdepapper samt alla transaktioner. Banken och dess anställda följer svenska fondhandlarföreningens riktlinjer för anställdas affärer. Den analytiker som har utarbetat en Investeringsanalys som avses i 11 kap. 8 § FFFS 2007:16 och andra som medverkat i detta arbete inte för egen räkning handla i be-rörda Finansiella Instrument eller med därtill relaterade Finansiella Instru-ment i strid med gälland rekommendation. Bankens Compliance-avdelning övervakar anställdas transaktioner.

Banken betalar lön till analytiker som även kan bestå av vinstdelning av Bankens resultat men aldrig knutet till en annan avdelnings ekonomiska resultat. Varken Banken eller de personer som sammanställt denna publikation har innehav (varken långa eller korta) i analyserat bolags emitterade finansiella instrument överstigande 0,5 % av det analyserade bolagets aktiekapital.

För det aktuella bolaget utför Banken även analys i enlighet med villkoren för den kostnadsbelagda tjänsten "Penser Access". Klicka här <https://epaccess.penser.se/> för mer information om tjänsten.

Erik Penser Bank har tillstånd att bedriva värdepappersverksamhet och står under svenska Finansinspektionens tillsyn.
