

# AAC Clyde Space

## Rapid expansion in New SpAAcE

H121 results update

Aerospace &amp; defence

**28 September 2021**
**Price** **SEK2.82**
**Market cap** **SEK526m**

SEK11.83/£1

Adj. net cash (SEKm) at 30 June 2021 101.4  
(excluding lease liabilities SEK12.6m)

Shares in issue 186.4m

Free float 97%

Code AAC

Primary exchange Nasdaq First North Premier

Secondary exchange OTCQX

### Share price performance



% 1m 3m 12m

Abs (10.5) 8.1 (1.4)

Rel (local) (6.2) 4.4 (26.3)

52-week high/low SEK4.07 SEK2.23

### 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 US and a start-up in Africa.

### Next events

Q321 results 25 November 2021

FY21 results 17 February 2022

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AAC Clyde Space is making strong progress, with healthy contributions from the three recent acquisitions helping to mitigate ongoing supply disruption, which continues to defer project completions. While this means current year revenue performance will be some 10% below our prior estimate, management indicates that the company is still on track to turn EBITDA positive next year and to attain the sales target of SEK500m in FY24. We maintain a cautious approach to valuation for a company yet to become self-financing; our updated capped DCF currently stand at SEK5.5/share.

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/19	66.4	(38.2)	(0.45)	0.0	N/A	N/A
12/20	98.4	(26.7)	(0.26)	0.0	N/A	N/A
12/21e	202.1	(13.9)	(0.08)	0.0	N/A	N/A
12/22e	292.7	16.2	0.08	0.0	35.3	N/A

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

## H121 continues positive momentum

H121 net sales grew by 99% to SEK84.2m (H120: SEK42.4m) with acquisitions accounting for SEK32.8m of the increase. All three of the recently acquired businesses made positive EBITDA contributions in Q221, with a first contribution from Omnisys, which added SEK15.5m of sales and EBITDA of SEK3.5m.

Excluding acquisition costs of SEK1.7m, AAC Clyde Space in Sweden and Clyde Space in Glasgow made an aggregate loss in Q221 of SEK8.4m (Q220: SEK7.5m loss). While the quarterly loss for the continuing businesses was slightly higher than in the previous year, the H121 EBITDA loss reduced to SEK10.7m (H120:

SEK13.7m) following the Q121 improvement. Total group EBITDA loss was just under SEK4.0m (H120: SEK13.7). Following the acquisition of Omnisys and the capital raise, the H121 adjusted net cash balance (excluding leases) stood at SEK101.4m.

## Growing the footprint and offering

H121 saw further strategic development of the group. Apart from the added capabilities and regional presences of Hyperion, SpaceQuest and Omnisys, in August the group announced the formation of the AAC Space Africa subsidiary based in Cape Town to service the growing space market in the continent. The overall progress is reflected in the burgeoning H121 order backlog of SEK413m, driven primarily by winning significant contracts including the record SEK100m SDaaS (Space Data as a Service) contract for Wyvern of Canada. As we have stated in previous notes, the SDaaS activity is expected to provide a higher-margin, recurring revenue stream and grow to be the dominant segment for the group. Both Space Products and Space Missions also had record backlogs at H121.

## Valuation: Not rated for move to positive metrics

Our capped DCF falls slightly to SEK5.5 per share (previously SEK5.6), reflecting the reduced FY21 profitability and cash flow. We expect positive EPS and strong growth from FY22 and the FY22e P/E of 35.5x may prove undemanding.

## H121 results

Following the reclassification of sales, SDaaS is now split out from Space Missions (formerly Platforms) and the former Subsystems segment now forms Space Products. The SDaaS revenues remain small at present but are starting to develop rapidly, with the largest ever contract won during Q221, adding to the existing contracts at SpaceQuest. The acquisition of Omnisys adds to the Space Products portfolio, as did Hyperion, and it is now the largest segment. We expect Space Missions to grow strongly over the next two years and recurring higher-margin revenue streams from SDaaS contracts to become the largest revenue contributor in the second half of the decade.

The performance of the group in Q221 saw net sales increase by 156% to SEK47.4m (Q220: SEK18.5m). The growth was driven primarily by the recent acquisitions including a maiden contribution from Omnisys of SEK15.5m, with first Q2 contributions from Hyperion (net sales SEK4.6m) and SpaceQuest (net sales SEK5.4m). The continuing businesses of Clyde Space in Glasgow and AAC Clyde Space in Sweden generated an 18% improvement in net sales to SEK21.9m (Q220: SEK18.5m). Although Space Missions sales were still constrained by pandemic effects, especially on systems suppliers, Space Products sales in Sweden rose SEK2.1m.

All three acquisitions made positive Q221 EBITDA contributions. Omnisys generated SEK3.5m, SpaceQuest SEK2.0m and Hyperion SEK1.2m. The EBITDA loss at Clyde Space grew to SEK4.3m, partially undoing the Q121 improvement.

### Exhibit 1: AAC Clyde Space H121 results summary

SEKm	H120	H121	Change H121 vs H120
AAC	14.8	19.8	34%
Clyde	27.6	31.6	14%
Hyperion	-	8.0	
SpaceQuest	-	9.4	
Omnisys	-	15.5	
<b>Net sales</b>	<b>42.4</b>	<b>84.2</b>	<b>99%</b>
SDaaS	2.4	8.3	252%
Space Missions	20.9	24.3	16%
Space Products	19.1	50.2	163%
Licence income	0.0	1.4	
<b>Net sales</b>	<b>42.4</b>	<b>84.2</b>	<b>99%</b>
Other operating income	5.8	6.4	10%
Development work capitalised	4.9	5.4	10%
<b>Group income</b>	<b>53.1</b>	<b>96.0</b>	<b>81%</b>
Raw materials & subcontractors	(22.6)	(35.3)	56%
Personnel costs	(28.9)	(48.0)	66%
Other external expenses	(1.0)	(11.8)	
<b>EBITDA adjusted</b>	<b>0.6</b>	<b>0.9</b>	<b>56%</b>
Other operating expenses	(5.1)	(3.2)	(37%)
Acquisition expenses	(9.3)	(1.7)	(82%)
<b>EBITDA reported</b>	<b>(13.7)</b>	<b>(3.9)</b>	<b>(71%)</b>
Depreciation and Amortisation	(5.7)	(9.8)	72%
<b>EBIT</b>	<b>(19.5)</b>	<b>(13.8)</b>	<b>(29%)</b>
<b>PBT</b>	<b>(20.3)</b>	<b>(14.5)</b>	<b>(29%)</b>
Net income	(20.0)	(13.6)	(32%)
<b>EPS (SEK)</b>	<b>(0.21)</b>	<b>(0.08)</b>	<b>(62%)</b>
Adjusted net cash (excluding leases)	34.88	101.40	191%
Lease liabilities	(9.3)	(12.6)	35%
Total net financial assets	25.6	88.8	247%

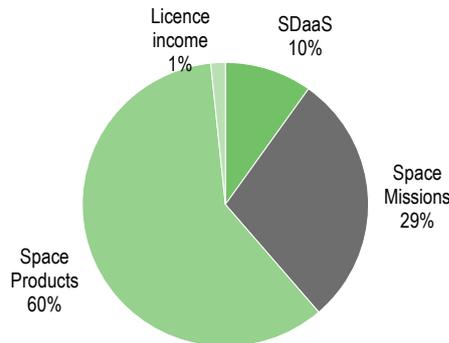
Source: Company reports

Excluding acquisition costs of SEK1.7m (Q220: zero), AAC Clyde Space in Sweden modestly reduced its EBITDA loss to SEK4.1m from SEK4.6m a year earlier. Overall, the reported EBITDA loss fell to SEK3.5m (loss of SEK1.8m before acquisition costs) compared to SEK7.5m in Q220.

Key highlights of H121 were as follows:

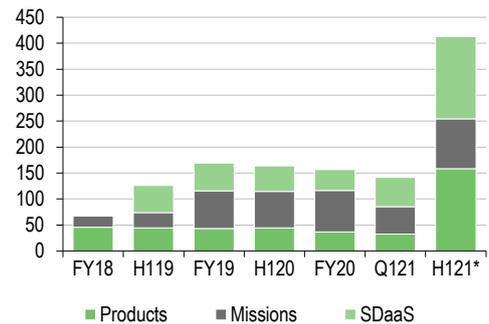
- Group net sales rose 99% to SEK84.2m (H120: SEK42.4m). SDaaS sales more than trebled to SEK8.3m, while Space Products reflected the bulk of the acquisition contribution, growing to SEK50.2m. Space Missions performance was constrained by delays from subsystems suppliers but still grew 16% to SEK24.3m, accounting for 29% of group net sales.
- Group EBITDA loss was significantly reduced to SEK3.9m (H120: SEK13.7m) as the positive contributions almost offset the reduced losses of the continuing businesses in Sweden and Glasgow Clyde Space saw its EBITDA loss reduced substantially to SEK4.8m (H120 loss: SEK8.3m) with AAC Clyde Space losses in Sweden stable at SEK5.8m (H119 loss: SEK5.5m) before acquisition costs of SEK1.7m.
- The loss before tax of SEK14.5m was 29% lower than in H120.
- Adjusted net cash (excluding leases) at H121 was SEK101.4m compared to SEK62.2m at the start of the year, benefiting from the net capital raised after the payment of the cash element of the Omnisys acquisition. Operating cash inflow was SEK5.9m in Q221, largely reflecting increased prepayments from customers, but for H121 the outflow increased to SEK14.9m compared to SEK6.5m in H120.
- The order backlog of SEK413m was a new record and more than double any previous level. While clearly benefiting from the acquisitions SEK155m was added by Wyvern’s SDaaS contract and a new order from Horizon Technologies during Q221.

**Exhibit 2: AAC Clyde Space net sales split by segment activity, H121: SEK84.2m**



Source: Company reports

**Exhibit 3: AAC Clyde Space order backlog development (SEK413m at H121)**



Source: Company reports. Note: \*Split estimated by EIR.

Major orders received in Q221 were as follows:

- A SEK100m SDaaS contract order was secured from Wyvern, a Canadian earth observation company. The four-year contract should see AAC design, build, own and operate the satellites proving data to Wyvern.
- Horizon Technologies, an existing customer, awarded a SEK55m contract to secure the launch and operation of two new CubeSats dedicated to Maritime Domain Awareness intelligence data delivery.
- A SEK8m follow-on order from Intuitive Machines for its IM-2 ice drilling machine for its mission to the moon with launch expected in late 2022. AAC will supply its Starbuck power system.
- AAC was also selected by the Mohammed Bin Rashid Space Centre in the UAE to deliver a SEK2m computer system for the Rashid lunar rover.

As announced on 28 September, AAC Clyde Space has also been selected by OHB Sweden to supply the Starbuck power system to ESA's Arctic Weather Satellite with a value of c SEK8.2m. An engineering model is to be delivered in Q122 and a flight model in Q422. Omnisys has already

been selected to supply weather sensors to the project and AAC Clyde Space is also the intended supplier of Sirius command and data handling units, but final testing and qualification are not yet completed.

## Outlook

We have revised our FY21 estimates to reflect the guidance given for net sales of around SEK200m, as shown in Exhibit 4. However, our FY22 expectations are revised only modestly as we expect the subsystems supply issues to moderate through Q421 and SDaaS growth to start to accelerate, with a first positive EBITDA still anticipated. The balance sheet continues to support the investment in growth opportunities, both organic and through targeted M&A.

**Exhibit 4: AAC Clyde Space revision to estimates**

SEKm	2021e			2022e		
	Prior	New	% change	Prior	New	% change
By Business						
AAC	39.4	41.3	4.9%	50.0	50.2	0.3%
Clyde	99.2	81.6	(17.8%)	130.9	130.5	(0.3%)
Hyperion	19.2	19.2	0.0%	23.1	23.1	0.0%
SpaceQuest	35.0	30.0	(14.3%)	49.0	49.0	(0.0%)
Omnisys	25.0	30.0	20.0%	40.0	40.0	0.0%
<b>Total group net sales</b>	<b>217.8</b>	<b>202.1</b>	<b>(7.2%)</b>	<b>293.0</b>	<b>292.7</b>	<b>(0.1%)</b>
By activity						
SDaaS		18.3			32.6	
Space Missions	86.6	65.9	(24.0%)	118.5	112.2	(5.4%)
Space Products	130.2	116.6	(10.5%)	172.5	145.9	(15.4%)
Licence & royalties income	1.0	1.4	38.1%	2.0	2.0	0.0%
<b>Total group net sales</b>	<b>217.8</b>	<b>202.1</b>	<b>(7.2%)</b>	<b>293.0</b>	<b>292.7</b>	<b>(0.1%)</b>
Other operating income	7.3	7.3		7.3	7.3	
Own work capitalised	15.7	15.1		14.9	14.8	
<b>Total group income</b>	<b>240.8</b>	<b>224.5</b>	<b>(6.8%)</b>	<b>315.2</b>	<b>314.8</b>	<b>(0.1%)</b>
Raw materials & subcontractors	(93.7)	(86.9)	(7.2%)	(111.3)	(111.2)	(0.1%)
Personnel costs	(103.0)	(103.0)	0.0%	(129.2)	(129.2)	0.0%
Other external expenses	(37.0)	(34.4)	(7.2%)	(49.1)	(49.0)	(0.1%)
Other operating expenses	0.0	(2.3)		0.0	0.0	
<b>EBITDA (company reported)</b>	<b>7.2</b>	<b>(2.0)</b>	<b>N/M</b>	<b>25.6</b>	<b>25.4</b>	<b>(0.6%)</b>
<b>EBIT (Pre PPA amortisation)</b>	<b>(4.3)</b>	<b>(13.3)</b>	<b>208.6%</b>	<b>13.2</b>	<b>13.2</b>	<b>(0.5%)</b>
<b>Underlying PBT</b>	<b>(3.8)</b>	<b>(13.9)</b>	<b>270.0%</b>	<b>16.5</b>	<b>16.2</b>	<b>(1.8%)</b>
<b>EPS - underlying continuing (SEK)</b>	<b>(0.02)</b>	<b>(0.08)</b>	<b>270.0%</b>	<b>0.08</b>	<b>0.08</b>	<b>(1.8%)</b>
DPS (SEK)	0.0	0.0		0.0	0.0	
Adjusted net cash (excluding leases)	123.9	119.0	(3.9%)	135.8	131.4	(3.3%)

Source: Edison Investment Research estimates

**Exhibit 5: Financial summary**

	SEKm	2019	2020	2021e	2022e
Year end December		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
Net sales		66.4	98.4	202.1	292.7
Own work capitalised and other operating income		14.1	21.1	22.4	22.1
Group income		80.6	119.5	224.5	314.8
EBITDA		(27.3)	(17.5)	(2.0)	25.4
Operating Profit (before amort. and except.)		(32.7)	(22.2)	(7.4)	19.5
Intangible Amortisation		(4.6)	(3.3)	(5.8)	(6.3)
Exceptionals		(2.9)	(12.1)	(6.5)	(4.4)
Other		0.0	0.0	0.0	0.0
Operating Profit		(40.2)	(37.5)	(19.7)	8.7
Net Interest		(0.8)	(1.3)	(0.7)	3.0
Profit Before Tax (norm)		(38.2)	(26.7)	(13.9)	16.2
Profit Before Tax (FRS 3)		(41.0)	(38.8)	(20.4)	11.7
Tax		0.5	0.5	1.0	(0.6)
Profit After Tax (norm)		(37.8)	(26.4)	(13.2)	15.4
Profit After Tax (FRS 3)		(40.6)	(38.3)	(19.4)	11.1
Average Number of Shares Outstanding (m)		84.8	102.3	175.3	196.1
EPS - fully diluted (SEK)		(0.45)	(0.26)	(0.08)	0.08
EPS - normalised (SEK)		(0.44)	(0.26)	(0.08)	0.08
EPS - (IFRS) (SEK)		(0.48)	(0.37)	(0.11)	0.06
Dividend per share (SEK)		0.0	0.0	0.0	0.0
EBITDA Margin (%)		-41.1	-17.8	-1.0	8.7
Operating Margin (before GW and except.) (%)		-49.3	-22.5	-3.7	6.6
<b>BALANCE SHEET</b>					
Fixed Assets		436.9	523.0	561.1	595.3
Intangible Assets		418.6	494.3	535.5	573.0
Tangible Assets		4.1	16.2	15.8	15.3
Right of use asset		14.2	12.5	9.8	7.0
Investments		0.0	0.0	0.0	0.0
Current Assets		108.5	113.3	234.0	265.9
Stocks		13.1	12.8	39.3	49.8
Debtors		17.7	9.5	39.3	46.8
Cash		52.4	62.4	125.0	140.0
Other		25.2	28.5	30.4	29.4
Current Liabilities		(60.5)	(56.1)	(105.7)	(127.3)
Creditors		(60.5)	(56.1)	(105.7)	(127.3)
Short term borrowings		0.0	0.0	0.0	0.0
Long Term Liabilities		(16.0)	(14.4)	(17.6)	(17.6)
Long term borrowings		(0.8)	(0.3)	(6.0)	(8.6)
Lease liabilities		(14.1)	(12.9)	(10.3)	(7.8)
Other long-term liabilities		(1.1)	(1.2)	(1.3)	(1.2)
Net Assets		468.9	565.8	671.8	716.3
<b>CASH FLOW</b>					
Operating Cash Flow		(15.3)	(14.2)	(1.6)	27.4
Net Interest		(0.8)	(0.7)	(0.5)	3.2
Tax		0.4	0.4	0.7	(0.8)
Capex		(13.9)	(17.2)	(17.0)	(17.6)
Acquisitions/disposals		(3.0)	(113.8)	(41.5)	(33.1)
Financing		73.3	156.8	116.7	33.3
Dividends		0.0	0.0	0.0	0.0
Net Cash Flow		40.7	11.4	56.8	12.4
Opening net debt/(cash) excluding lease liabilities		(10.9)	(51.6)	(62.2)	(119.0)
HP finance leases initiated		0.0	0.0	0.0	0.0
Other		0.1	(0.8)	0.0	(0.0)
Closing net debt/(cash) excluding lease liabilities		(51.6)	(62.2)	(119.0)	(131.4)
Net financial liabilities including lease liabilities		(37.5)	(49.3)	(108.7)	(123.6)

Source: Company reports, Edison Investment Research estimates

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