

AAC Clyde Space

Progress as consolidation phase commences

Q121 trading statement

Aerospace & defence

1 June 2021

Price **SEK2.66**

Market cap **SEK490m**

SEK11.7/£1, SEK8.3/\$1, SEK10.1/€1

Net cash (SEKm) at 31 March 2021 36.8
(excluding lease liabilities)

Shares in issue 186.4m

Free float 97%

Code AAC

Primary exchange Nasdaq First North Premier

Secondary exchange OTCQX

AAC Clyde Space has delivered a strong Q121 with revenue growth of 55% and a substantial reduction in EBITDA losses. The ongoing activities continued to develop, positively augmented by initial contributions from the 2020 acquisitions of Hyperion and SpaceQuest, both of which continue to deliver positive EBITDA. With Omnisys acquired in April alongside the SEK100m fund-raising, AAC Clyde Space remains well positioned to execute its growth strategy in the New Space market.

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	217.8	(3.8)	(0.02)	0.0	N/A	N/A
12/22e	293.0	16.5	0.08	0.0	33.3	N/A

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

Organic growth and transforming acquisitions

Ongoing activities grew revenues by 24% to SEK29.5m with the acquisitions of Hyperion and SpaceQuest adding SEK3.4m and SEK3.9m respectively in their first full quarter of consolidation. Clyde Space reduced its EBITDA loss by 90% to SEK0.5m (Q120: SEK5.4m) on sales up 23% at SEK17.1m. It grew platform (+35%) and subsystem (+103%) revenues, more than offsetting the absence of Space Data as a Service (SDaaS) sales (Q120: SEK2.4m). AAC in Sweden increased sales by 24% to SEK12.4m, boosted by platform revenues of SEK2.8m following the start of production in FY20 and SEK1.4m in licence income. Its subsystems revenues fell 18% against a strong Q120, but we expect the segment to progress positively for FY21. The EBITDA loss increased to SEK1.7m including licence income. SpaceQuest contributed positive EBITDA of SEK1.1m (margin 29.3%) and Hyperion EBITDA was SEK0.6m (margin 17.6%). The group EBITDA loss reduced to SEK0.5m (Q120: loss SEK6.2m).

Moving up the value chain

The order backlog reduced to SEK141.8m (FY20: SEK156.3m). Following the acquisition of Omnisys, which added SEK130m, the group backlog at 30 April 2021 was SEK260.4m. Management sees a strong pipeline of order opportunities across the group, which should convert during FY21. It expects FY24 revenues of SEK500m, which should also see the mix shift towards SDaaS sales (FY24: c SEK55m), which are expected to earn margins roughly double the 15–20% margins typically achieved for Space Products & Components and Space Missions (including satellite platforms). We expect SDaaS to be the dominant revenue stream by the end of the decade, improving earning quality and cash conversion.

Valuation: Heading towards profitable growth

Net cash of SEK36.8m at end-Q121 has been strengthened in April by the SEK68m net proceeds from the fund-raising after paying the initial cash consideration for Omnisys. AAC Clyde Space is well positioned to invest in further organic growth and value-enhancing acquisitions. Our capped DCF value remains at SEK5.6.

Share price performance



% 1m 3m 12m

Abs 8.4 (17.3) (35.5)

Rel (local) 6.4 (26.7) (55.4)

52-week high/low SEK4.3 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 and the United States.

Next events

Q221 results 26 August 2021

Q321 results 25 November 2021

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Q121 results

The highlights from Q121 are summarised below.

Exhibit 1: Q121 highlights			
Three months to March (SEKm)	Q120	Q121	% change
Net sales	23.8	36.8	54%
EBITDA	(6.2)	(0.5)	-93%
EBIT	(9.1)	(4.4)	-51%
EPS (basic, diluted) SEK	(0.10)	(0.03)	-70%
Cash flow from operating activities	(6.2)	(20.8)	238%
Cash and cash equivalents	41.7	37.1	-11%
Order backlog	183.4	141.8	-23%

Source: AAC Clyde Space reports

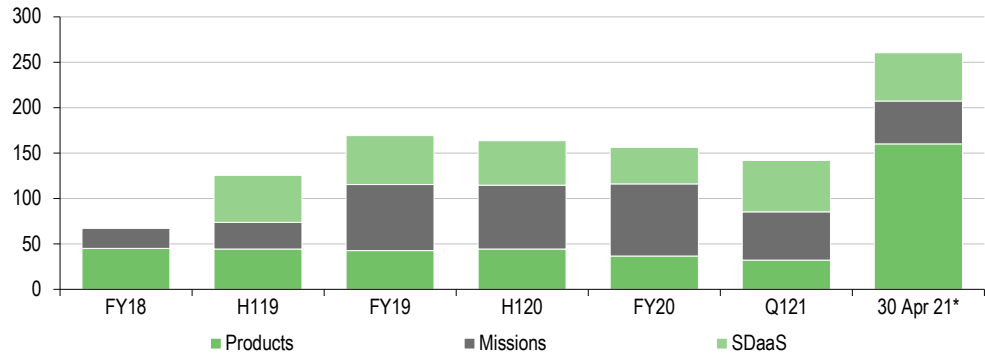
The revenue, EBITDA and operating profit development during Q121 is as shown below. We note that the SDaaS revenue was generated by SpaceQuest in Q121, with the balance in Space Products. Hyperion revenues are entirely attributable to the sale of Space Products.

Exhibit 2: AAC Clyde Space revenue, EBITDA and OPBIT breakdown			
Three months to March (SEKm)	Q120	Q121	% change
AAC	9.969	12.383	24.2%
Clyde	13.865	17.062	23.1%
Hyperion		3.406	
SpaceQuest		3.932	
Net sales	23.834	36.783	54.3%
SDaaS	2.437	2.014	-17.4%
Space Missions	9.081	15.109	66.4%
Space Products	12.316	18.279	48.4%
Licence income	0.000	1.381	
Net sales	23.834	36.783	54.3%
Other operating income	3.487	3.476	-0.3%
Development work capitalised	1.785	2.185	22.4%
Group income	29.106	42.444	45.8%
EBITDA			
AAC	(0.848)	(1.676)	97.6%
Clyde	(5.379)	(0.537)	-90.0%
Hyperion		0.598	
SpaceQuest		1.152	
EBITDA	(6.227)	(0.463)	-92.6%
D8A	(2.901)	(3.982)	37.3%
Expenses			
Raw materials & subcontractors	(12.860)	(15.289)	18.9%
Personnel costs	(15.641)	(20.770)	32.8%
Other external expenses	(4.966)	(6.441)	29.7%
Other operating expenses	(1.866)	(0.407)	-78.2%
Total operating expenses	(35.333)	(42.907)	21.4%
Operating profit	(9.128)	(4.445)	-51.3%

Source: AAC Clyde Space reports

The order backlog has declined in recent periods, partly due to currency but also reflecting the absence of substantial incremental order flows. We expect order intake to improve in the remainder of FY21. The addition of Omnisys's SEK130m backlog space products has almost doubled the Q121 backlog level following its consolidation in April 2021.

Exhibit 3: AAC Clyde Space order backlog development



Source: AAC Clyde Space reports, Edison Investment Research estimates. Note: *Includes SEK130m Omnisys.

Exhibit 4: Financial summary

	SEKm	2019	2020	2021e	2022e
Year end December		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Net sales		66.4	98.4	217.8	293.0
Own work capitalised and other operating income		14.1	21.1	23.0	22.2
Group income		80.6	119.5	240.8	315.2
EBITDA		(27.3)	(17.5)	7.2	25.6
Operating Profit (before amort. and except.)		(32.7)	(22.2)	1.6	19.6
Intangible Amortisation		(4.6)	(3.3)	(5.9)	(6.4)
Exceptionals		(2.9)	(12.1)	(11.8)	(4.4)
Other		0.0	0.0	0.0	0.0
Operating Profit		(40.2)	(37.5)	(16.1)	8.8
Net Interest		(0.8)	(1.3)	0.5	3.2
Profit Before Tax (norm)		(38.2)	(26.7)	(3.8)	16.5
Profit Before Tax (FRS 3)		(41.0)	(38.8)	(15.5)	12.0
Tax		0.5	0.5	0.8	(0.6)
Profit After Tax (norm)		(37.8)	(26.4)	(3.6)	15.6
Profit After Tax (FRS 3)		(40.6)	(38.3)	(14.8)	11.4
Average Number of Shares Outstanding (m)		84.8	102.3	175.3	196.1
EPS - fully diluted (SEK)		(0.45)	(0.26)	(0.02)	0.08
EPS - normalised (SEK)		(0.44)	(0.26)	(0.02)	0.08
EPS - (IFRS) (SEK)		(0.48)	(0.37)	(0.08)	0.06
Dividend per share (SEK)		0.0	0.0	0.0	0.0
EBITDA Margin (%)		-41.1	-17.8	3.3	8.7
Operating Margin (before GW and except.) (%)		-49.3	-22.5	0.7	6.7
BALANCE SHEET					
Fixed Assets		436.9	523.0	561.6	595.7
Intangible Assets		418.6	494.3	536.1	573.5
Tangible Assets		4.1	16.2	15.7	15.2
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	240.9	266.1
Stocks		13.1	12.8	41.5	49.8
Debtors		17.7	9.5	41.7	46.9
Cash		52.4	62.4	125.0	140.0
Other		25.2	28.5	32.8	29.4
Current Liabilities		(60.5)	(56.1)	(113.4)	(127.5)
Creditors		(60.5)	(56.1)	(113.4)	(127.5)
Short term borrowings		0.0	0.0	0.0	0.0
Long Term Liabilities		(16.0)	(14.4)	(12.7)	(13.2)
Long term borrowings		(0.8)	(0.3)	(1.1)	(4.1)
Lease liabilities		(14.1)	(12.9)	(10.3)	(7.8)
Other long-term liabilities		(1.1)	(1.2)	(1.2)	(1.2)
Net Assets		468.9	565.8	676.4	721.2
CASH FLOW					
Operating Cash Flow		(15.3)	(14.2)	3.4	26.7
Net Interest		(0.8)	(0.7)	0.7	3.4
Tax		0.4	0.4	0.2	(0.8)
Capex		(13.9)	(17.2)	(17.8)	(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	61.7	12.0
Opening net debt/(cash) excluding lease liabilities		(10.9)	(51.6)	(62.2)	(123.9)
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)	(123.9)	(135.8)
Net financial liabilities including lease liabilities		(37.5)	(49.3)	(113.6)	(128.1)

Source: Company accounts, Edison Investment Research

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