



ERIK PENSER BANK

Penser Access | Aerospace & Defense | Sweden | 20 October 2020

AAC Clyde Space

Profitable acquisitions and strengthened balance sheet

Profitable acquisitions and improved US presence


AAC Clyde Space has announced two acquisitions that expand its product range, improve its R&D and sales organisations, and provide a bridgehead in the US market. Both acquisitions are profitable in 2020 and help bring AAC Clyde Space closer to black numbers.

Upped forecasts due to acquisitions and expected strong end to 2020

AAC Clyde Space is confident in its forecast of sales of SEK 100 million in 2020, which we now also expect after previous uncertainty about the impact of Covid-19. Overall, we have upwardly adjusted our sales forecasts by 24% for 2020 and 68% for 2021 and 2022, driven by the acquisitions, and now expect the company to reach break-even with regard to EBITDA 2021.

Capitalised for the pursuit of positive EBITDA 2021

AAC Clyde Space has also strengthened its balance sheet through a directed issue of SEK 52 million. The fair value today amounts to SEK 3.8-4.0 per share. Our forecasts reflect the new share issue, as well as the acquisitions from 2021.

Estimate Changes (SEK)			Estimates (SEK)				Risk and Potential			
	Now	Before	19	20e	21e	22e	Motivated value	3.80 - 4.00		
EPS, adj 20e	-0.22	-0.44	-49.3%	Sales,m	66	100	170	195	Current price	SEK2.87
EPS, adj 21e	-0.07	-0.27	-72.3%	Sales Growth	(14.7)%	50.1%	70.0%	15.0%	Risk level	High
EPS, adj 22e	0.03	-0.17	-115.5%	EBITDA, m	(27.3)	(19.7)	2.9	17.7	<div data-bbox="1085 1444 1476 1489" data-label="Section-Header"><h4>One Year Performance Chart</h4></div> 	
				EBIT, m	(40.2)	(31.4)	(8.8)	5.9		
				EPS, adj	(0.42)	(0.22)	(0.07)	0.03		
				EPS Growth	NM%	NM%	NM%	NM%		
				Equity/Share	3.2	3.3	3.2	3.2		
				Dividend	0.00	0.00	0.00	0.00		
				EBIT Marginal	(60.5)%	(31.5)%	(5.2)%	3.0%		
				ROE (%)	(8.7)%	(6.8)%	(2.3)%	0.8%		
				ROCE	(8.3)%	(6.3)%	(1.8)%	1.2%		
				EV/Sales	5.04x	3.36x	1.98x	1.72x		
				EV/EBITDA	(12.3)x	(17.0)x	114.3x	18.9x		
				EV/EBIT	(8.3)x	(10.7)x	(37.9)x	56.7x		
				P/E, adj	(6.8)x	(12.8)x	(38.9)x	108.0x		
				P/Equity	0.9x	0.9x	0.9x	0.9x		
				Dividend yield	0.0%	0.0%	0.0%	0.0%		
				FCF yield	(6.0)%	(5.5)%	(5.3)%	(0.6)%		
				Net Debt/EBITDA	1.9g	4.1g	(19.8)g	(3.1)g		

Calendar Events	
EGM	November 5, 2020
Q3 2020	November 26, 2020
Q4 2020	February 18, 2021

Key Figures (mkr)	
Number of Shares	147.2m
Market cap	422
Net Debt	(87)
EV	335
Free Float	94.78%
Avg. No. of Daily Traded Sh.	603.4(k)
Reuters/Bloomberg	AAC.ST/AAC SS

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Analysavdelningen



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Overview

Profitable acquisitions and strengthened balance sheet

Investment Case

In October 2020, AAC Clyde Space announced the acquisition of SpaceQuest (USA) and Hyperion Technologies (Netherlands) and in connection with this also carried out a directed issue of SEK 52 million. We previously expected new financing via loans of SEK 50 million in 2021. According to AAC Clyde Space, SpaceQuest is expected to have sales of USD 2.5 million in 2020. During the first half of the year, SpaceQuest had sales of USD 0.9 million with an EBITDA margin of 20%. Based on expected revenues for the full year 2020, the initial price tag of 24 million new shares in AAC Clyde Space corresponds to approximately 3x EV/sales. Earn-outs could amount to a maximum of USD 1.9 million in new shares 2021/2022 and USD 1.3 million in cash 2023. SpaceQuest contributes, among other things, to the Space as a Service business, with a clear footprint in the US market, which has been a stated goal for AAC Clyde Space. Hyperion Technologies had sales of EUR 0.7 million in H1 2020, with an EBITDA margin of 28%. The price tag of approximately 7.8 million new shares and EUR 0.1 million in cash, corresponds to approximately 1.6x EV/sales based on sales in H1 2020 (annualised). Hyperion Technologies is expected to contribute an expanded product range and a strengthening of the R&D and sales organisations. The acquisitions are included in our forecasts from 2021. AAC Clyde Space reported EBITDA of SEK -7.5 million in Q2 2020, which was on a par with the SEK -7.7 million in Q2 2019. AAC Clyde Space announced a number of orders during Q2 2020, and on August 24 it was revealed that, together with SAAB and ORBCOMM, they are developing the next generation space-based VHF Data Exchange System (VDES). Space-based infrastructure increases VDES coverage from coastlines to anywhere on the oceans and can be integrated with navigation systems, with benefits such as reduced fuel consumption, improved navigation and increased safety. The satellite is expected to be the first in a constellation, and will be the first to be manufactured in Uppsala, while Glasgow, which is the hub for satellite manufacturing, will develop the next generation of satellites. In Scotland, the company has also received a grant from Scottish Enterprise of GBP 2.3 million for satellite development. Initially, the project with SAAB and ORBCOMM is worth SEK 17 million for AAC Clyde Space, which will manufacture, launch and commission the satellite under the Space as a Service concept. In August, follow-up orders were also announced on the Japanese market.

Company Profile

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, 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 the profitable phase in the sector, discounted to today.

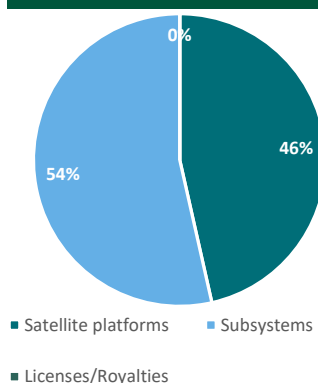
Target Price

The fair value today amounts to SEK 3.8-4.0 per share.

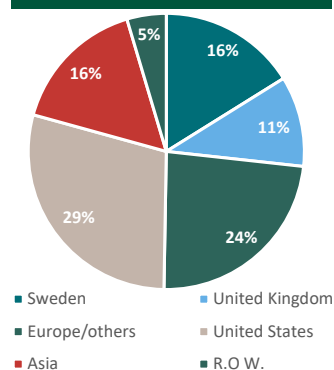
Company data

Largest Shareholders	Votes	Capital
Coralinn LLP	12,44%	12,44%
Craig Clark	5,57%	5,57%
Avanza Pension	4,72%	4,72%
Jan Petersen	2,49%	2,49%
Others	74,78%	74,78%
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)



Income Statement

	2018	2019	2020E	2021E	2022E
Net sales	77,9	66,4	99,7	169,6	195,0
Work performed by the Company for its own use and capitalised	1,5	3,0	8,1	11,7	13,8
Other operating income	9,8	11,2	15,1	26,4	30,3
Raw materials and subcontractors	-31,0	-27,4	-51,3	-71,2	-81,9
Personnel costs	-53,2	-51,8	-58,8	-85,9	-89,8
Other external expenses	-22,8	-23,7	-26,9	-39,3	-41,0
Other operating expenses	-10,7	-5,0	-5,7	-8,3	-8,7
EBITDA	-28,5	-27,3	-19,7	2,9	17,7
Depreciation/amortisation and impairment of tangible and intangible assets	-14,8	-12,9	-11,7	-11,8	-11,8
EBIT	-43,3	-40,2	-31,4	-8,8	5,9
Net financial items	-0,3	-0,8	-1,9	-2,0	-2,0
EBT	-43,6	-41,0	-33,3	-10,8	3,9
Income tax	0,9	0,5	0,3	0,0	0,0
Net income	-42,7	-40,6	-33,0	-10,8	3,9

Balance Sheet

	2018	2019	2020E	2021E	2022E
Assets					
Intangible assets	392,6	418,6	419,7	419,7	419,7
Tangible assets	4,2	18,3	16,6	19,8	23,0
Total non-current assets	396,8	436,9	436,3	439,5	442,8
Inventory	6,5	13,1	15,0	25,4	29,3
Accounts receivable	10,1	17,7	12,0	20,3	23,4
Other receivables	27,3	25,2	25,2	25,2	25,2
Cash and cash equivalents	12,2	52,4	81,1	58,7	56,3
Total current assets	56,2	108,5	133,3	129,7	134,2
Total assets	453,0	545,4	569,6	569,3	577,0
Equity and liabilities					
Equity attributable to Parent Company shareholders	412,1	466,1	485,1	474,3	478,2
Total equity	412,1	466,1	485,1	474,3	478,2
Liabilities to credit institutions	1,2	0,8	0,8	0,8	0,8
Other non-current liabilities		11,3	11,3	11,3	11,3
Deferred tax liabilities	4,1	3,9	3,9	3,9	3,9
Total non-current liabilities	5,3	15,9	15,9	15,9	15,9
Accounts payable	11,1	9,8	15,0	25,4	29,3
Other liabilities	24,6	53,6	53,6	53,6	53,6
Total current liabilities	35,6	63,4	68,6	79,0	82,8
Total equity and liabilities	453,0	545,4	569,6	569,3	577,0

Cash Flow

	2018	2019	2020E	2021E	2022E
EBT	-43,6	-41,0	-33,3	-10,8	3,9
Adjustments for non-cash items	14,8	12,9	11,7	11,8	11,8
Income taxes paid	0,0	0,0	0,3	0,0	0,0
Cash flow from operating activities before changes in working capital	-28,8	-28,2	-21,3	0,9	15,7
Total changes in working capital	-19,8	12,4	9,1	-8,4	-3,1
Cash flow from operating activities	-48,6	-15,7	-12,1	-7,4	12,6
Investments in intangible assets	-19,5	-12,1	-1,1	0,0	0,0
Investments in tangible assets	-0,8	-1,9	-10,0	-15,0	-15,0
Cash flow from investing activities	-20,3	-13,9	-11,1	-15,0	-15,0
Rights issue	48,0	73,3	52,0		
Borrowings		0,0			
Warrants	0,0				
Repayments of borrowings	-4,1	-3,6			
Cash flow from financing activities	43,9	69,7	52,0	0,0	0,0
Increase/decrease in cash and cash equivalents	-25,0	40,1	28,8	-22,4	-2,4
Cash and cash equivalents at the beginning of the period	37,2	12,2	52,4	81,1	58,7
Exchange-rate differences in cash and cash equivalents	0,0	0,1			
Cash and cash equivalents at the end of the period	12,2	52,4	81,1	58,7	56,3

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