



ERIK PENSER BANK

Penser Access | Aerospace & Defense | Sweden | 27 November 2020

AAC Clyde Space

Eventful autumn

92% growth in Q3 2020

AAC Clyde Space reported sales of SEK 27.3 million in Q3 2020 (14.2), and EBITDA of SEK -2.2 million (-7.9). The order backlog amounted to SEK 159 million at the end of the quarter, corresponding to 1.78x 12-month sales. The gross margin remained on a par with previous quarters in 2020, at about 45% (59% in 2019), with a lower share of standard products than previous years.

Eventful autumn

AAC Clyde Space has announced two acquisitions in short order, American SpaceQuest and Hyperion Technologies from the Netherlands, and has also strengthened its balance sheet through a directed share issue of SEK 52 million before transaction costs. In addition, the company has recently entered into a three-year development project, xSPANCION, together with the European Space Agency.

Capitalised for the pursuit of positive EBITDA 2021

We have made minor forecast changes regarding the underlying business following the Q3 2020 report. The xSPANCION project is now included with an effect on sales in 2021-2023, but without any earnings impact. The fair value today amounts to SEK 3.8-4.0 per share. Our forecasts reflect the new share issue, as well as the recently announced 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	-0.21	-0.22	-4.1%	Sales,m	66	100	178	240	Current price	SEK2.87
EPS, adj 21e	-0.06	-0.07	-16.5%	Sales Growth	(14.7)%	49.9%	79.0%	34.4%	Risk level	High
EPS, adj 22e	0.04	0.03	45.5%	EBITDA, m	(27.3)	(19.6)	2.7	17.4		
				EBIT, m	(40.2)	(31.0)	(8.6)	6.1		
				EPS, adj	(0.42)	(0.21)	(0.06)	0.04		
				EPS Growth	NM%	NM%	NM%	NM%		
				Equity/Share	3.2	3.3	3.2	3.3		
				Dividend	0.00	0.00	0.00	0.00		
				EBIT Marginal	(60.5)%	(31.1)%	(4.8)%	2.5%		
				ROE (%)	(8.7)%	(6.5)%	(1.9)%	1.2%		
				ROCE	(8.3)%	(6.2)%	(1.8)%	1.2%		
				EV/Sales	5.15x	3.43x	1.92x	1.43x		
				EV/EBITDA	(12.5)x	(17.4)x	126.3x	19.6x		
				EV/EBIT	(8.5)x	(11.0)x	(39.6)x	56.2x		
				P/E, adj	(6.8)x	(13.4)x	(46.7)x	74.4x		
				P/Equity	0.9x	0.9x	0.9x	0.9x		
				Dividend yield	0.0%	0.0%	0.0%	0.0%		
				FCF yield	(6.0)%	(5.2)%	(4.3)%	(0.5)%		
				Net Debt/EBITDA	1.9g	4.0g	(22.4)g	(3.3)g		

Calendar Events	
Q4 2020	February 18, 2021
Q1 2021	May 27
Q2 2021	August 26
Q3 2021	November 25

Key Figures (mkr)	
Number of Shares	147.2m
Market cap	422
Net Debt	(81)
EV	342
Free Float	94.00%
Avg. No. of Daily Traded Sh.	778.7(k)
Reuters/Bloomberg	AAC.ST/AAC SS

One Year Performance Chart

Analysts	
alexander.vilval@penser.se	
Analysavdelningen	



ERIK PENSER BANK

Penser Access | Aerospace & Defense | Sweden | 27 November 2020

Overview

Eventful autumn

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 before transaction costs. According to AAC Clyde, 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 has also recently announced that it is launching a three-year development project, xSPANCION, together with the European Space Agency (ESA) to strengthen the company's ability to deliver a constellation of satellites and including the manufacture of 10 satellites. The project comprises a total of EUR 19.7 million, of which the UK Space Agency (through the ESA) will finance EUR 9.9 million. A preliminary design will be prepared in phase 1 during 2021 at a total cost of EUR 1.8 million, with EUR 0.9 million financed via the ESA, and this will be recognised as revenue at AAC Clyde Space without a net margin. In phase 2, the project will continue with the production of ten satellites, four of which will be put into orbit within the framework of the project. The total cost for this phase is EUR 17.9 million, of which EUR 8.9 million will be financed through the ESA. AAC Clyde Space intends to finance the remaining EUR 8.9 million via potential customers who will later use data from the four satellites in orbit within the Space as a Service (SaaS) concept. Assuming SaaS revenues from the first four satellites of approximately SEK 20 million per year for 5 years from 2024, as well as an assumed net margin of 35%, we see an NPV today of approximately SEK 20 million from the project. In addition, there is the potential from the remaining 6 satellites, which will probably be launched later and where launching costs should also be taken into account.

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



ERIK PENSER BANK

Penser Access | Aerospace & Defense | Sweden | 27 November 2020

Overview

Eventful autumn

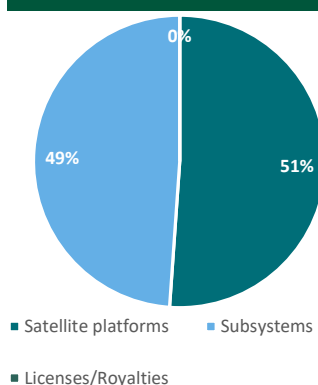
The fair value today amounts to SEK 3.8-4.0 per share.

Company Data

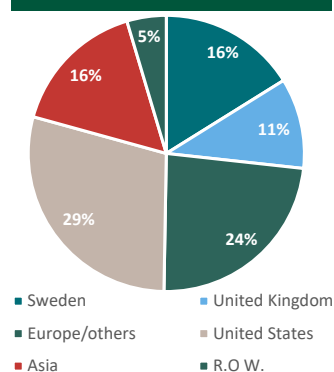
Largest Shareholders (Oct 31)	Votes	Capital
UBS Switzerland AG, W8IMY	7,30%	7,30%
Avanza Pension	7,00%	7,00%
Euroclear Bank S.A/N.V, W8-IMY	5,80%	5,80%
Nordnet Pension	4,10%	4,10%
Others	75,80%	75,80%

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

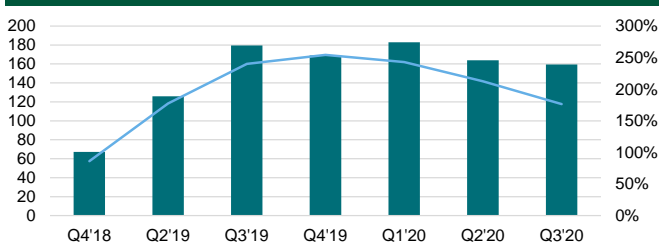
Sales/Segment (12m)



Sales/Geo (2019)

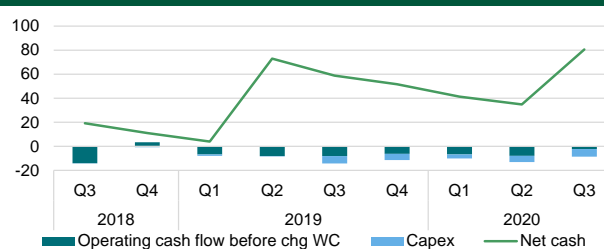


Order backlog (SEKm) / vs 12m Sales



Source: AAC Clyde Space, Erik Penser Bank

CF / Net cash (Q3'20 post rights issue) - (SEKm)



Source: AAC Clyde Space, Erik Penser Bank

Income Statement

	2018	2019	2020E	2021E	2022E
Net sales	77,9	66,4	99,6	178,2	239,6
Work performed by the Company for its own use and capitalised	1,5	3,0	8,8	13,1	18,3
Other operating income	9,8	11,2	13,0	25,2	33,2
Raw materials and subcontractors	-31,0	-27,4	-52,4	-74,9	-100,6
Personnel costs	-53,2	-51,8	-57,0	-89,5	-111,4
Other external expenses	-22,8	-23,7	-26,0	-40,9	-50,9
Other operating expenses	-10,7	-5,0	-5,5	-8,6	-10,7
EBITDA	-28,5	-27,3	-19,6	2,7	17,4
Depreciation/amortisation and impairment of tangible and intangible assets	-14,8	-12,9	-11,4	-11,3	-11,4
EBIT	-43,3	-40,2	-31,0	-8,6	6,1
Net financial items	-0,3	-0,8	-1,1	-0,4	-0,4
EBT	-43,6	-41,0	-32,0	-9,0	5,7
Income tax	0,9	0,5	0,4	0,0	0,0
Net income	-42,7	-40,6	-31,6	-9,0	5,7

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	21,9	25,5	29,2
Total non-current assets	396,8	436,9	441,6	445,3	448,9
Inventory	6,5	13,1	11,0	19,6	26,4
Accounts receivable	10,1	17,7	12,9	23,2	31,2
Other receivables	27,3	25,2	25,2	25,2	25,2
Cash and cash equivalents	12,2	52,4	79,6	61,4	59,1
Total current assets	56,2	108,5	128,7	129,4	141,9
Total assets	453,0	545,4	570,3	574,7	590,8
Equity and liabilities					
Equity attributable to Parent Company shareholders	412,1	466,1	483,9	474,8	480,5
Total equity	412,1	466,1	483,9	474,8	480,5
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	16,9	30,3	40,7
Other liabilities	24,6	53,6	53,6	53,6	53,6
Total current liabilities	35,6	63,4	70,5	83,9	94,3
Total equity and liabilities	453,0	545,4	570,3	574,7	590,8

Cash Flow

	2018	2019	2020E	2021E	2022E
EBT	-43,6	-41,0	-32,0	-9,0	5,7
Adjustments for non-cash items	14,8	12,9	11,4	11,3	11,4
Income taxes paid	0,0	0,0	0,4	0,0	0,0
Cash flow from operating activities before changes in working capital	-28,8	-28,2	-20,2	2,3	17,0
Total changes in working capital	-19,8	12,4	14,1	-5,5	-4,3
Cash flow from operating activities	-48,6	-15,7	-6,1	-3,2	12,7
Investments in intangible assets	-19,5	-12,1	-1,1	0,0	0,0
Investments in tangible assets	-0,8	-1,9	-15,0	-15,0	-15,0
Cash flow from investing activities	-20,3	-13,9	-16,1	-15,0	-15,0
Rights issue	48,0	73,3	49,4		
Borrowings		0,0			
Warrants	0,0				
Repayments of borrowings	-4,1	-3,6			
Cash flow from financing activities	43,9	69,7	49,4	0,0	0,0
Increase/decrease in cash and cash equivalents	-25,0	40,1	27,2	-18,2	-2,3
Cash and cash equivalents at the beginning of the period	37,2	12,2	52,4	79,6	61,4
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	79,6	61,4	59,1

This publication (“the Publication”) has been compiled by Erik Penser Bank (“the Bank”) exclusively for clients of the Bank. The contents are based on information from publicly available sources which have been deemed reliable. No guarantee is extended as to the accuracy and completeness of the contents of the document or the forecasts and recommendations provided therein. The Bank may permit employees of another department or analysed company (“the company”) to read facts or series of facts in order to verify the same. The Bank does not disclose conclusions or assessments included in the Publication in advance. Opinions stated in the Publication are those of the analyst at the time the Publication was prepared and such opinions are subject to change. No assurance is provided that future events will be in accordance with opinions stated in the Publication.

The information in the Publication must not be understood as encouragement or recommendation to enter into transactions. The information does not take into account an individual recipient’s investment knowledge and experience, financial situation, or investment goals. The information thus does not constitute a personal recommendation or investment advice.

The Bank disclaims all liability for direct or indirect loss that may be based upon the Publication. Investments in financial instruments are associated with financial risk. The investment may go up or down in value or become entirely worthless. Past favourable performance of an investment is not a guarantee of future performance.

Fair value and risk

The fair value reflects a value for the share on the day the analysis is published in a range corresponding to approximately 5-10%. The Bank uses several different valuation models to value financial instruments, such as cash flow models, valuation of multiples and breakup value analysis.

The valuation method and the approach for determining the fair value should be apparent in the analysis and may vary from company to company. Significant assumptions used in valuations are based on currently available market data and a scenario for the company’s future development that we consider reasonable. As regards risk, the share is classified on a High-Medium-Low scale based on a number of known parameters relevant to the company. A general guideline for being classified as low risk is that the company has positive cash flow and that no individual factor affects net sales by more than 20%. The corresponding general description of high risk is that the company has not achieved positive cash flow or that an individual factor affects net sales by more than 50%.

The research presented in the Publication was performed in accordance with the terms and conditions of the “Penser Access” service that the Bank performs on behalf of analysed companies. The analysed company remunerates the Bank for the aforementioned service. The fair value and risk classifications are continuously updated. Click here <https://www.penser.se/historiska-analysrekommendationer/> to view the history of investment recommendations issued by the Bank.

General

The Bank’s consent is required to copy or disseminate the Publication in whole or in part. The Publication must not be disseminated or made available to any natural or legal person in the United States of America (other than as provided under Rule 15a–16, Securities Exchange Act of 1934), Canada, or any other country that imposes statutory restrictions on the dissemination and availability of the contents of the material.

The Bank has prepared an Ethics Policy and a Conflicts of Interest Policy. The aim of these policies is to protect against and prevent conflicts between the interests of clients and departments within the Bank. The approach used by the Bank to prevent conflicts of interest includes restrictions on communications (Chinese Walls). The Research Department is physically separated from the Corporate Finance department, which occupies separate premises. The Corporate Finance department is not permitted to participate in the production of a Publication or to express opinions on a Publication. However, there may from time to time exist a client relationship or advisory situation between a company covered in a Publication and a department of the Bank other than the Research Department. The Bank has drawn up internal restrictions concerning when employees are permitted to conduct trades in a financial instrument that is the subject of an Investment Recommendation.

From time to time, the Bank performs assignments for a company that is mentioned in a Publication. The Bank may, for example, be acting as an advisor or issuer agent to the company or as the liquidity guarantor for one of the company’s securities. If such is the case, this has been stated in the Publication. The Bank, its owners, directors, or employees may own shares in companies mentioned in the Publication. All employees of the Bank must report their holdings in securities and must report all transactions. The Bank and its employees comply with guidelines issued by the Swedish Securities Dealers Association concerning employee transactions. The analyst who has prepared Investment Research as referred to in Chapter 11, section 8 of the Swedish Financial Supervisory Authority’s Regulations regarding securities (FFFS 2007:16) and others involved in this work are not permitted to trade on their own account in the covered Financial Instrument or related Financial Instruments in contravention of the applicable recommendation. The Bank’s Compliance Department monitors all employee transactions.

The Bank pays salaries to analysts, which may also consist of a share of the Bank’s profits but which is never linked to the financial performance of another department. Neither the Bank nor the individuals who compiled the Publication have holdings (long or short) in the financial instruments issued by the analysed company that exceed 0.5% of the analysed company’s share capital.

For the company in question, the Bank also conducts research in accordance with the terms of the “Penser Access” paid-for service. Click here <https://epaccess.penser.se/> for more information about this service.

Erik Penser Bank is authorised to conduct securities operations and is under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen)

Erik Penser Bank (*publ.*)

Apelbergsgatan 27 Box 7405 103 91 STOCKHOLM

tel: +46 8 463 80 00 fax: +46 8 678 80 33 www.penser.se