

AAC Clyde Space

Q324 results

Back on track

AAC Clyde Space (AAC) remains an interesting avenue into the fast-growing low Earth orbital space sector. A strong Q324 performance has seen the supplier-related issues that affected Q2 largely reversed, albeit the supply chain remains stretched. The order book is strong, which, with two satellite launches due in Q4, offers the potential to build momentum into 2025.

Year end	Revenue (SEKm)	PBT* (SEKm)	EPS* (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/22	196.7	(23.2)	(5.6)	0.0	N/A	N/A
12/23	276.6	(18.4)	(4.2)	0.0	N/A	N/A
12/24e	375.0	(8.1)	(1.4)	0.0	N/A	N/A
12/25e	600.0	44.5	7.6	0.0	6.0	N/A

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

Q3 performance: A strong pick-up

Q324 reported a positive turnaround from the issues, largely external supplier orientated, that affected Q2. Net sales were up 58% on Q2 and 51% on the previous year. Gross margin was strong at 72% and, with controlled personnel and SG&A costs, EBITDA margins rebounded to 20.6% and operating margin to 8.0%. Cash conversion was 133% of operating profit after working capital outflow of SEK6m to support the top-line expansion. After investing SEK11.3m and financing costs of SEK9.3m the group ended the quarter with gross cash of SEK25.4m and available cash of SEK81.5m, including an unused banking facility. The order book at the period end stood at SEK641m, marginally down from the record SEK660m at the end of June.

Strategic momentum continues

The flow of new orders remains positive. The largest in the quarter being a SEK11.6m order for four Starbuck power systems and related services. There were two major launches in Q3: a further maritime services satellite to expand space data as a service (SDaaS) capabilities and an Arctic Weather Satellite equipped with multiple AAC products including microwave sounder instruments, a Starbuck power system and Sirius computer. Q4 is set to provide further milestones including the upcoming launch of two further satellites.

Valuation: Unchanged at SEK278/share

Our discounted cash flow valuation of SEK278/share remains unchanged (see our August [note](#) for details). This suggest significant upside but clearly there are risks and uncertainties for a company such as AAC at its current stage of development operating in a fast-moving and frontier sector such as space. Contract wins highlight that AAC is well positioned while the SDaaS business provides the opportunity to develop lucrative recurring revenue streams.

Aerospace and defence

11 November 2024

Price **SEK45.4**

Market cap **SEK268m**

SEK10.9/\$, SEK14.0/£

Adjusted gross cash (SEKm) at 30 September 25.4

Shares in issue 5.7m

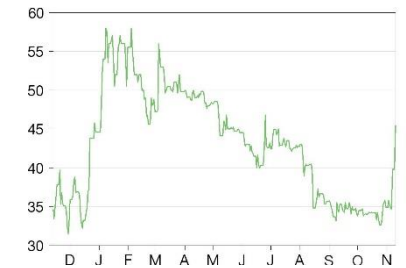
Free float 88.0%

Code AAC

Primary exchange Nasdaq First North Premier Growth Market

Secondary exchange OTCQX

Share price performance



% 1m 3m 12m

Abs 33.9 12.7 37.0

Rel (local) 35.8 8.7 9.3

52-week high/low SEK58.0 SEK31.5

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 United States and Africa.

Next events

FY24 results 20 February 2025

Q125 results 24 April 2025

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Operational highlights

Key for the quarterly financial performance was recovering from the supplier delays and other issues that affected Q2, which, as highlighted below in the financial performance table, was successfully achieved. Order intake remained positive, as outlined later, with an order book at the period end of SEK641m, less than 3% below the record level reported at the half year.

Highlights in the quarter included:

- The launch of another maritime services satellite (Sedna-1) to enhance the range of services that can be supplied to maritime customers. The constellation now contains 9 satellites with another 1 waiting launch and 2 in manufacturing.
- The launch of an Arctic Weather Satellite equipped with multiple AAC products including microwave sounder instruments, a Starbuck power system and Sirius computer. This is the first satellite in a new array offering future potential opportunities.
- The acquisition of Spacemetric was completed, which will deepen the capabilities of AAC's data business, expanding the SDaaS division.
- A licence with a US company for the manufacture of power and data handling systems, leading to a one-off payment of US\$2.0m, replacing an existing royalty agreement.

The final quarter of the year is expected to see significant operational milestones including two satellite launches in November.

Financials

Q3 reported strong overall performance, recovering from Q2 which was affected primarily by external supplier issues. This is highlighted by the strong core sales performance, up 58% on Q2 and 51% on the previous year. Gross margin remained strong at 75% and with controlled additional personnel (period end 196 vs 185) along with controlled SG&A costs delivered a strong EBITDA margin of 18.4%, ahead of the full year target of 5–10%, leading to a positive operating margin of 7.2%.

Exhibit 1: Summary performance (SEKm)

	Q323	Q324	Change
Net sales	56.131	84.811	51%
Other income	5.677	5.956	5%
Own work capitalised	6.395	4.240	-34%
Total	68.204	95.007	39%
Raw materials & subcontractors	(8.974)	(23.672)	164%
Personnel costs	(38.937)	(41.131)	6%
Other external expenses	(10.331)	(9.612)	-7%
Other operating expenses	(3.251)	(3.112)	-4%
EBITDA	6.711	17.480	160%
Depreciation & amortisation	(7.669)	(10.682)	39%
Underlying EBIT	(0.958)	6.798	N/A
Financing income/(costs)	(1.471)	0.852	N/A
Underlying PBT	(2.429)	7.650	N/A
EPS (SEK)	(0.48)	1.34	N/A
Gross margin	84.0%	72.1%	-1192bps
EBITDA margin	12.0%	20.6%	+865bps
EBIT margin	-1.7%	8.0%	+972bps

Source: AAC Clyde, Edison Investment Research

Cash performance benefited from the improved operating performance. Despite the working capital required to support the top line, cash flow from operations was strong with conversion from EBIT of

133%. Investing and financing outflows led to a net cash outflow in the quarter, leaving the group with gross cash of SEK25.4m at the period end.

Exhibit 2: Cash flow (SEKm)

	Q323	Q324	Change
Cash generated from operations	7.297	15.298	110%
Changes in working capital	(9.534)	(5.968)	
Cash flow from operations	(2.237)	9.330	
Investing activities	(12.581)	(11.315)	
Financing activities	24.618	(9.306)	
Net cash flow	9.800	(11.291)	
Cash and equivalents at end of period	22.677	25.427	12%

Source: AAC Clyde, Edison Investment Research

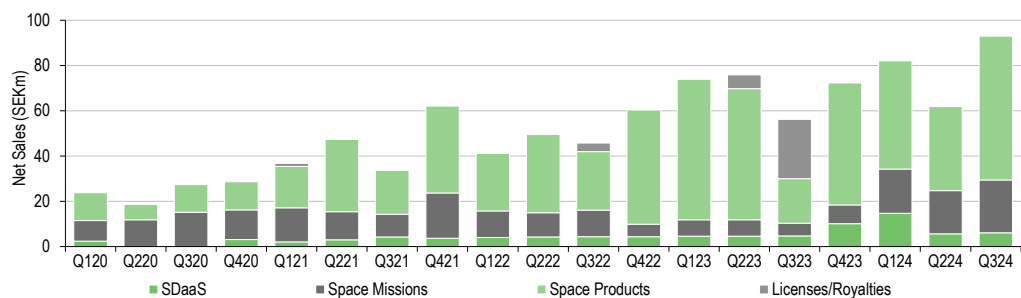
Divisional performance

Exhibit 3: Quarterly divisional breakdown

	Q323	Q324	Change
Sales by division			
AAC Data & Services	4.809	6.095	27%
AAC Missions	7.740	23.339	202%
AAC Products	48.118	63.586	32%
Eliminations	-4.536	-8.209	81%
Total core sales	56.131	84.811	51%
EBITDA by division			
AAC Data & Services	3.275	0.878	-73%
AAC Missions	-8.900	-0.055	-99%
AAC Products	19.071	22.325	17%
Other segments	-5.901	-4.470	-24%
Eliminations	-0.835	-0.925	11%
Total	6.711	17.480	115%
EBITDA margin by division			
AAC Data & Services	68.1%	14.4%	
AAC Missions	-115.0%	-0.2%	
AAC Products	39.6%	35.1%	
Total	12.0%	20.9%	

Source: AAC Clyde

Exhibit 4: Divisional sales (SEKm)



Source: AAC Clyde

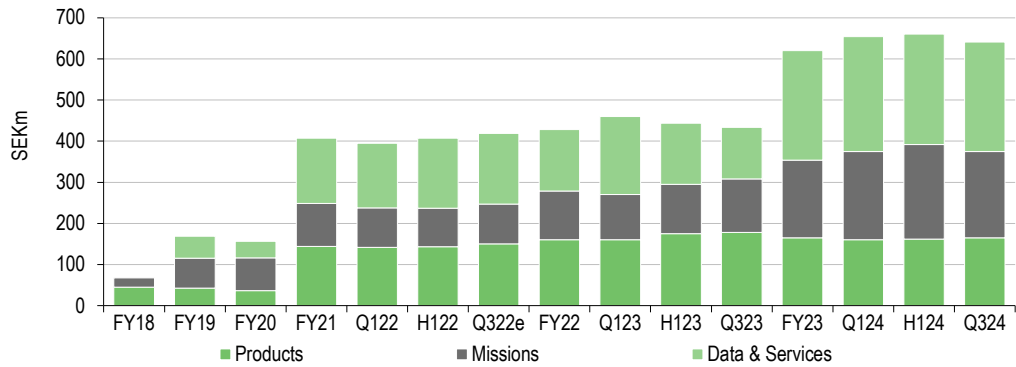
Order book and intake

The order book has reduced marginally in the period from the record SEK660m at the half year to SEK641m, due in part to the strong sales in the period. The backlog remains at an elevated level, less than 3% off the all-time high. Key recent wins include:

- The first order for the Cyclops Earth observation satellite constellation through a pre-commercial agreement valued at £612k (c SEK8.3m) with the Scottish government. The two-year project will provide high-resolution image data enabling, among many other applications, the efficient monitoring of tree health.

- A €1.025m (c SEK11.6m) order for four Starbuck power systems and related services. AAC expects to have completed delivery of the order in the second quarter of 2025.
- A US\$0.69m (c SEK7.1m) order for reaction wheels to be used on a number of small satellites. The order comes from a US blue chip company and follows an order received in February 2023 on the same type of equipment.
- A €0.5m (c SEK5.8m) order for a Starbuck power system for small satellites and related services expected to be delivered by the third quarter of 2025.

Exhibit 5: Order backlog (SEKm)



Source: AAC Clyde

Outlook and expectations

Management guidance for the year is unchanged with revenue of SEK350–400m and EBITDA margins of 5–10%. Clearly this will require a positive Q4, which the order book and Q3 performance support although management notes that it is somewhat dependent on the timing of deliveries from key suppliers in order to achieve milestones on major projects, in a supply chain that remains stretched. There are no changes to our forecasts for the full year.

Valuation

There is no change to our valuation as per our last [note](#) in August.

Exhibit 6: Financial summary

	SEKm	2021	2022	2023	2024e	2025e
Year-end December		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Net sales		180.0	196.7	276.6	375.0	600.0
Own work capitalised and other operating income		30.9	47.0	48.8	26.8	39.0
Group income		210.8	243.7	325.5	401.8	639.0
EBITDA		(12.4)	(30.0)	1.0	24.9	75.0
Operating Profit (before amort. and except.)		(21.9)	(40.3)	(12.5)	(5.1)	50.0
Intangible Amortisation		(0.9)	(0.7)	(2.6)	(1.5)	(2.4)
Other		(15.8)	(26.0)	(21.7)	(21.7)	(21.7)
Operating Profit		(38.6)	(67.0)	(36.8)	(28.3)	25.9
Associates & Other		0.0	0.0	0.0	0.0	0.0
Net Interest		(4.2)	17.9	(4.2)	(1.6)	(3.1)
Profit Before Tax (norm)		(27.0)	(23.2)	(19.3)	(8.1)	44.5
Profit Before Tax (FRS 3)		(42.8)	(49.1)	(41.1)	(29.8)	22.8
Tax		3.3	2.6	(0.5)	1.5	(1.1)
Profit After Tax (norm)		(24.9)	(22.0)	(18.4)	(7.7)	42.3
Profit After Tax (FRS 3)		(39.5)	(46.5)	(41.6)	(28.3)	21.7
Average Number of Shares Outstanding (m)		3.5	3.9	4.8	5.7	5.7
EPS - fully diluted (SEK)		(7.17)	(5.58)	(4.16)	(1.35)	7.59
EPS - normalised (SEK)		(7.17)	(5.58)	(4.16)	(1.35)	7.59
EPS - (IFRS) (SEK)		(11.36)	(11.82)	(8.73)	(4.97)	3.97
Dividend per share (SEK)		0.0	0.0	0.0	0.0	0.0
EBITDA Margin (%)		-6.9	-15.2	0.4	6.7	12.5
Operating Margin (before GW and except.) (%)		-12.2	-20.5	-4.5	-1.3	8.3
BALANCE SHEET						
Fixed Assets		681.0	728.6	746.2	728.2	728.3
Intangible Assets		639.5	665.5	672.6	668.1	668.0
Tangible Assets		26.4	46.4	57.8	44.3	44.5
Right of use asset		15.1	16.8	15.8	15.8	15.8
Investments						
Current Assets		193.4	152.8	192.2	199.8	321.8
Stocks		13.2	20.2	22.1	29.9	47.9
Debtors		23.0	24.5	23.5	31.9	51.0
Cash		96.1	52.1	59.5	20.0	34.1
Other		61.1	56.0	87.1	118.0	188.8
Current Liabilities		(129.2)	(182.0)	(249.4)	(267.2)	(353.5)
Creditors		(128.5)	(175.8)	(218.7)	(261.7)	(348.0)
Lease liabilities		0.0	(5.5)	(5.5)	(5.5)	(5.5)
Short term borrowings		(0.6)	(0.7)	(25.2)	0.0	0.0
Long Term Liabilities		(16.6)	(35.9)	(26.2)	(31.9)	(45.0)
Long term borrowings		0.0	0.0	0.0	0.0	0.0
Lease liabilities		(15.1)	(11.0)	(10.2)	(10.2)	(10.2)
Other long term liabilities		(1.5)	(24.9)	(16.1)	(21.8)	(34.9)
Net Assets		728.6	663.5	662.8	628.9	651.6
CASH FLOW						
Operating Cash Flow		(37.3)	6.4	11.1	21.7	67.5
Net Interest		(0.2)	(0.2)	(2.9)	(1.6)	(3.1)
Tax		2.1	0.2	(1.3)	0.0	(1.1)
Capex		(29.2)	(40.9)	(51.0)	(35.3)	(49.2)
Acquisitions/disposals		2.6	(38.3)	(2.5)	0.0	0.0
Financing		94.1	33.3	37.6	0.0	0.0
Dividends		0.0	0.0	0.0	0.0	0.0
Other			0.0	(2.0)	0.0	0.0
Net Cash Flow		32.0	(39.4)	(11.0)	(15.1)	14.1
Opening net debt/(cash) excluding lease liabilities		(62.2)	(95.5)	(52.1)	(35.1)	(20.0)
HP finance leases initiated		0.0				
Other		1.3	(4.0)	(6.0)	0.0	0.0
Closing net debt/(cash) excluding lease liabilities		(95.5)	(52.1)	(35.1)	(20.0)	(34.1)
Net financial liabilities including lease liabilities		(80.4)	(35.6)	(19.5)	(4.3)	(18.4)

Source: Edison Investment Research

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