

ÅAC Microtec

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Small but potential to disrupt

Following its effective merger with Clyde Space in the UK that completed in January 2018, ÅAC Microtec now offers a full range of end-to-end satellite solutions using small satellites weighing from around 1kg to 50kg. The nano- and micro-satellite technologies are expected to see substantial growth in utilisation for low earth orbit missions, most likely deployed in constellations. Mission capability is advancing with technological development and the key application for communications markets is nascent. As lower-cost launch capabilities develop, there is expected to be strong growth in the number of satellites deployed. ÅAC has the ambition to dominate the small satellite market through both organic growth and further acquisitions.

Clyde Space merger creates a world leader

Founded in 2005 at the University of Uppsala in Sweden, since 2014 ÅAC has pursued a more focused strategy to grow in the small satellite sector. In January 2018, ÅAC raised SEK50m before costs via an equity issue to provide funding for development through organic and acquired technology. Clyde Space was also founded in 2005 in Glasgow, and has been a leading player in the development of CubeSat capabilities in the UK. ÅAC completed the acquisition of Clyde in January 2018, which it describes as a merger. Clyde shareholders now own 44% of the issued share capital, and Clyde executives fill roles as chief strategy officer and chief technology officer. ÅAC Clyde, as it refers to itself commercially, has ambitions to dominate the small satellite market. It now offers full end-to-end solutions to customers in a broad range of end markets, from satellite design, mission preparation, manufacture launch and operation.

A rapidly growing disruptive technology

Initially proposed as academic tools, CubeSats are 10cm cubes of technology weighing just over 1kg (1U) that can be assembled in modular forms up to around 12 cubes (12U) weighing around 20kg. Capabilities of these nano satellites are increasing with technology. The addition of Clyde's CubeSat capability to ÅAC's 50kg Innosat product provides a broad product offering. Market development should be driven by lower cost and increasing mission capability.

Valuation: Funded for expansion

The purchase of Clyde Space with sales of c SEK60m was funded by the issue of 30.5m shares at SEK11.62 per share to shareholders and £2m (SEK22m) of cash for a total consideration of SEK376m. As mentioned, following the deal, ÅAC also raised SEK50m before expenses through a placing at SEK7.65 per share.

Historic financials

Year end	Revenue (SEKm)	PBT (SEKm)	EPS (SEK)	DPS (SEK)	P/E (x)	Yield (%)
12/16	26.7	(24.3)	(6.01)	-	N/A	N/A
12/17	17.5	(27.1)	(0.85)	-	N/A	N/A

Source: Company reports; Consensus estimates are not available

Price **SEK6.84**
Market cap **SEK470m**

SEK12.09/£

Share price graph



Share details

Code AAC
 Listing Nasdaq FN Stockholm
 Shares in issue 68.72m

Business description

Based in Sweden, AAC Microtec is a world leader in small satellite end-to-end solutions following the January 2018 merger with Clyde Space in Scotland. In addition both companies supply a range of technology components to larger satellite manufacturers globally.

Bull

- An early mover in the small satellite market with strong and established technology development capabilities from both ÅAC and Clyde.
- Strong demand growth expected as LEO constellations disrupt the established norm.
- Support from Swedish space agency and the commercial approach adopted in the UK.

Bear

- Adoption and deployment rates so far relatively low, especially in communications markets.
- Launch options still limited and expensive and project delays historically common in space.
- Likely to be a competitive space given the number of CubeSat developers around the globe.

Analysts

Andy Chambers +44 (0)20 3681 2525
 Annabel Hewson +44 (0)20 3077 5700

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