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## AAC Microtec acquires Clyde Space

21<sup>th</sup> December 2017 AAC Microtec

### **AAC Microtec acquires CubeSat leader Clyde Space and creates a global leader in the high-growth market for small satellites and CubeSats**

*The Swedish space tech company AAC Microtec AB ("AAC") has today entered into a share sale and purchase agreement to acquire 100% of the shares in UK based Clyde Space Ltd ("Clyde Space") (the "Transaction"), the leading player in the global, high-growth CubeSat market.*

*The acquisition will be paid for with 30 466 326 newly issued shares in AAC and GBP 2 million in cash, equivalent to approximately SEK 294 million (at a share price of 8.90 SEK/share). After completion of the acquisition, Clyde Space owners will hold 49 percent of AAC.*

*Being a fast-growing forerunner in the "New Space" market, Clyde Space has supplied complete platforms as well as over 2,000 subsystems for small spacecraft. In the CubeSat sector, Clyde Space is a market leader, supporting around 30-40 percent of all current and past missions. For the period Q1-Q3 2017, Clyde Space's revenues amounted to approximately GBP 3.98 million, corresponding to approximately million SEK 45 million. EBITDA for the same period amounted to approximately GBP -0.03 million, corresponding to approximately SEK -0.3 million<sup>1</sup>. The company employs 77 individuals in Glasgow, Scotland.*

*Through the acquisition, AAC multiplies its business volume and becomes a global leader in the market for high-reliability CubeSats and small satellites. The two companies combined will have a strong presence in Europe, the US and Asia, and will be able to offer a greater number of commercial and institutional customers a more complete range of high-reliability technology, products and platforms.*

*Pro forma, the combined company's revenue for Q1-Q3 2017 amounts to approximately SEK 59 million and EBITDA to approximately SEK -14.5 million (further details below).*

### **The Transaction**

The purchase price for 100% of the Clyde Space shares comprises 30 466 326 newly issued shares in AAC and GBP 2 million in cash. Post completion of the Transaction, the former Clyde Space owners will hold approximately 49 percent of the total number of shares and votes in AAC.

The Board of Directors of AAC has on 21<sup>st</sup> December decided on a new share issue in kind of 30 466 326 new shares in AAC to the owners of Clyde Space. The acquisition and the issue in kind are

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<sup>1</sup> Based on 10.9853 SEK/GBP



conditional upon approval of the extraordinary general meeting to be held on 29<sup>th</sup> January 2018. A notice to the extraordinary general meeting will be published separately.

Completion of the Transaction is expected to occur on 30<sup>th</sup> of January 2018.

### **AAC considers the possibility to carry out a directed share issue**

The Board of Directors has engaged G&W Fondkommission to evaluate the possibility to raise additional growth capital through a directed share issue of up to 7 million new shares through a so called “accelerated book-building” procedure. The directed issue, if it is completed, is subject to approval from the extraordinary general meeting. The reasons for the deviation from the shareholders’ preferential rights are mainly to diversify the shareholder base in AAC and strengthen the company’s financial position in a time-efficient manner in connection to the announcement of the acquisition of Clyde Space.

### **Lock-up Agreement**

The sellers will be bound by lock-up provisions as follows. One third of the AAC shares received as consideration are subject to a lock-up undertaking for 180 days, one third for 360 days and one third for 540 days from the first day of trading of the new issued shares on Nasdaq First North.

### **Clyde Space Ltd**

Since the incorporation of UK-based Clyde Space in 2005, it has established itself as a forerunner in the “New Space” movement and a leader in the market for CubeSats, one of the fastest growing segments of the space technology sector. The company develops and manufactures complete, integrated small satellite solutions and CubeSats to commercial and institutional customers around the globe, including Audacy Space, DLR, ESA, JAXA, Kepler Communications, LUX Space, NASA, Outernet, Spire, the UK Space Agency, and the US Air Force.

In the CubeSat sector, Clyde Space prides itself on having more in-orbit heritage than any other supplier, supporting around 30-40 percent of all current and past CubeSat missions. Its products are designed for reliability, tackling potential issues from exposure to the radiation and thermal environments. In addition to complete satellite platforms, the company has supplied over 2,000 subsystems for spacecraft ranging from 1 kg to 250 kg in size, including more than 1,000 power systems, which account for over 500 cumulative years in orbit with zero reported failures.

Clyde Space offers 1U to 12U CubeSats, as well as complementary services for space missions. Its services support missions at all levels, from concept through design, development, integration and testing, to launch and on-orbit operations. The company’s ground station is able to collate significant volumes of data from its satellites in orbit, transferring this on to customers for processing. The company has evolved, becoming a ‘one-stop shop’ that operates as a platform supplier, launch broker, satellite operator and data provider. Clyde Space has made significant investments to develop cutting edge infrastructure comprising state-of-the-art facilities, techniques and processes.

Between FY2014 and FY2017, Clyde space increased its revenue at an annual growth rate of 40%, reaching total revenue of around GBP 5.3 million in 2017 (fiscal year ending April 30<sup>th</sup>),



corresponding to approximately SEK 59.9 million. EBITDA for 2017 was approximately GBP 0.2 million, corresponding to SEK 2.3 million<sup>2</sup>.

The company is privately held and headquartered in Glasgow. Main owners are Mr. Craig Clark (Founder and CEO) with 31.32% ownership, Nevis Capital LLP with 28.18% and Coralinn LLP/Mr. Hugh Stewart with 28.06%. Nine individuals, with less than 5% each, hold the remaining 12.44%.

More information can be found at [www.clyde.space](http://www.clyde.space).

### **Background and acquisition rationale**

AAC's ambition is to grow substantially, organically as well as through acquisitions, and be a leading, global player in the market for high quality small satellites, including components, subsystems and satellite busses as well as special purpose satellites.

The acquisition of Clyde Space is a significant step in this direction, jointly creating a clear leader in the market for high-reliability small satellites and CubeSats. The combined group will be a truly global business, with a footprint reaching over the US and Asia as well as Europe, including both the Eurozone and the UK.

By combining the two companies, a foundation for accelerated growth is laid, creating long-term opportunities for space industry development and job creation in Scotland, Sweden and other priority markets. The merger will indeed create opportunities to expand the workforce and capture market share in a fast-growing market.

The two companies' market positions, technology, product ranges and customer bases are complementary to a great extent. The opportunities for cross-fertilization of R&D activities and cross-selling of products are significant, and the case for going to market with joint offerings is strong.

Clyde Space's strong brand name in the "New Space" market, leading position in the CubeSat segment, high level of expertise, entrepreneurial spirit, and commercial success will form a cornerstone of the AAC group. On its part, AAC will add strong management and business development capabilities, well-developed international sales channels as well as its high-reliability heritage, state-of-the-art technology, and a range of reliable and flight-proven products in the somewhat larger "small satellite" segment. Furthermore, AAC is a listed company, with direct access to capital markets.

The combined company will offer high-reliability technology and products in a segment ranging from 1U CubeSats to 500 kg satellites. Hence, the combined company will be able to serve a greater market consisting of quality- and reliability-conscious customers, including commercial players with well-funded satellite constellation programs, as well as commercial and institutional customers demanding reliable, flexible and cost-efficient products for advanced small satellite missions.

*Craig Clark, Founder and CEO of Clyde Space, comments: "We are very excited to join the internationally acclaimed and highly competent AAC team. AAC's complementing operations, advanced technology know-how, well-developed corporate structure and direct access to capital*

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<sup>2</sup> Based on 11.2966 SEK/GBP



*markets provide a great platform for the further development and growth of Clyde Space as well as the AAC group's business as a whole. With our combined resources, know-how and pools of highly competent individuals, we will jointly be able to boost the creation of innovative technology and products, and continue to lead the way in the most commercially interesting segments of the satellite market."*

*Alfonso Barreiro, CEO of AAC, comments: "Together with Clyde Space, we can offer a complete range of advanced and cost-efficient solutions that meets increasing customer demand for flexibility, reliability and prolonged satellite longevity. We will have advanced R&D, production and testing facilities in Uppsala and Glasgow, and effective sales channels to commercial and institutional customers across the globe. Our joint R&D capacity will be unique in our segment, enhancing our capability to offer state-of-the-art technology and supporting our strategy to develop robust products based on open architecture platforms to increase flexibility, scalability, and efficiency. I'm really looking forward to work closely together with Craig Clark and his team to drive commercialization and to lead the third industrial revolution in our part of the space technology market."*

*Rolf Hallencreutz, Chairman of AAC, adds: "We are very excited to welcome the talented and highly innovative Clyde Space team. Together, our companies secure a leadership position in the CubeSat market and can claim a strong position in the high-reliability small satellite segment. We also strengthen the foundation for continued corporate development, profitability improvements and accelerated top-line growth, organically as well as through additional M&A activities in the UK, Sweden and other markets."*

Mr. Craig Clark, Clyde Space's founder, entrepreneur and CEO will join the AAC Management Team and Mr. Will Whitehorn, the Chairman of Clyde Space, is going to be proposed as a Board member of AAC at the EGM. Mr. Whitehorn, a former President of the human spaceflight enterprise Virgin Galactic, holds positions as Chairman of several privately held UK-based companies and as Deputy Chairman of Stagecoach Group PLC, Senior Non Executive Board member of GVC Holdings PLC, and Non Executive Director of Purplebricks Group PLC, all publicly traded on the London Stock Exchange.

## **The combined company**

### *Highlights of the combined businesses*

- *A global leader in the market for nanosatellites and CubeSats and a strong position in the high-reliability small satellite segment.*
- *Offers technology, platforms systems and components for 1U-12U CubeSats and up to 500 kg satellites, as well as mission and data provision services.*
- *Revenue (pro-forma) exceeding SEK 59 million in Q1-Q3, 2017.*
- *Approximately 104 employees across locations in Sweden, UK and the US.*
- *Advanced R&D and manufacturing facilities in Uppsala, Sweden and Glasgow, Scotland.*
- *Sales offices in Europe and the US and distributors in Japan and South Korea.*
- *Customers across the globe, including Airbus, DLR, ESA, FMV, JAXA, Kepler, LUX Space, NASA, NEC/Toshiba, Outernet, Raytheon, RUAG, Spire, SSNB, UK Space Agency, US Airforce, US Army, and York Space Systems.*

- *Very well positioned in the high-growth small satellite market. At present, ~1,500 satellites are orbiting Earth. Euroconsult estimates that 6,214 small satellites (<500 kg) will be launched between 2017 and 2026. This means a 698 percent increase in small satellite launches over the next 10 years compared to the prior 10 years.*
- *AAC management estimates the current small satellite market value to nearly USD 2 billion (including larger, traditional small satellites), a number that is expected to reach an annual size of USD 3-4 billion by 2022.*
- *AAC's competitive advantage in relation to other small satellite suppliers is based on a combination of superior technology robustness/reliability, unique know-how in space-qualified miniaturized electronics, completeness of product portfolio, accumulated spaceflight heritage, company size/resources, international presence, breadth of customer base, and competitive price levels.*

#### *Preliminary pro forma accounts*

A preliminary pro forma *consolidated balance sheet* per 30<sup>th</sup> September 2017 is presented below with the purpose of describing the financial situation after the Transaction. The pro forma consolidated balance sheet is solely intended to describe the hypothetical situation of the new group as if the Transaction had been completed as of 30<sup>th</sup> September 2017, based on AAC's and Clyde Space's financial situation as of 30<sup>th</sup> September 2017. Clyde Space has thus far had GBP as its reporting currency. The GBP figures have been translated to SEK using the FX rate as of 30<sup>th</sup> September 2017, with SEK/GBP at 10.8669.

<b>SEK '000</b>	<b>ÅAC Group pro forma 30 September 2017</b>
Intangible assets	304,572
Tangible assets	6,848
Financial assets	28
<b>Total non-current assets</b>	<b>311,448</b>
Inventories	4,619
Trade receivables	4,761
Other receivables	6,904
Cash and cash equivalents	19,980
<b>Total current assets</b>	<b>36,264</b>
<b>Total assets</b>	<b>347,711</b>
Shareholders' equity	323,635
Non-current liabilities	4,694
Trade liabilities	4,229
Other current liabilities	15,153
<b>Total shareholders' equity and liabilities</b>	<b>347,711</b>

A preliminary pro forma *income statement* of the new group for the first nine months of 2017 is shown below, with the purpose of describe a hypothetical income as if the Transaction had been completed as of 1 January 2017. No revenue synergies or cost reductions have been considered in the pro forma income statement. It is important to note that the pro forma income statement should not be considered an estimate for the current year or the coming twelve months. Clyde



Space has thus far had GBP as its reporting currency. The GBP figures have been translated to SEK using the average FX rate for the period 1<sup>st</sup> January – 30<sup>th</sup> September 2017, with SEK/GBP at 10.9853.

SEK '000	ÅAC Group pro forma Jan-Sep 2017
Net revenues	49,955
Activated work for own account	3,135
Other revenues	6,192
<b>Total operating revenues</b>	<b>59,282</b>
General operating expenses	-73,736
<b>EBITDA</b>	<b>-14,454</b>

1) Goodwill from the acquisition of Clyde Space amounts to SEK 290.2 million (preliminary figure, based on ÅAC share price as of 21 December 2017). ÅAC uses K3 reporting standards and goodwill is depreciated over 10 years, which will impact operating profit.

### Company description

AAC will, two weeks before the extraordinary general meeting, publish an updated company description with additional information about the operations acquired through the Transaction, the shareholder structure, and more details on the background and the rationale for the transaction.

### Timetable for completion of the transaction

The timetable below is preliminary and may come to be altered.

- 22<sup>nd</sup> December 2017: Notice to extraordinary general meeting
- 29<sup>th</sup> January 2018: Extraordinary general meeting in AAC
- 30<sup>th</sup> January 2018: Completion of the acquisition

### Conditions for the completion of the transaction

AAC's acquisition of Clyde Space is subject to the extraordinary general meeting's approval of the acquisition, change of articles of association, and the share issue in kind to the sellers of Clyde Space.

### Extraordinary general meeting

An extraordinary general meeting in AAC is planned to be held 29<sup>th</sup> January 2018 to adopt the necessary resolutions for the implementation of the Transaction. For further information, please refer to the notice in a separate press release which is expected to be published 22<sup>nd</sup> December 2017, and the documentation which will be held available on AAC's website, [www.aacmicrotec.com](http://www.aacmicrotec.com).

### Transaction expenses

AAC's expenses for the transaction are estimated to amount to SEK 7.45 million.

### Due Diligence

Before entering the acquisition agreement, the parties conducted limited, customary due diligence reviews of certain business, financial and legal information relating to AAC and Clyde Space,



respectively. During this process, no information which has not previously been disclosed and which could have a significant effect on price of the shares in AAC has been shared.

#### **Advisors**

Ceres Advisors is acting as M&A advisor, PwC and G&W Fondkommission as financial advisors, and Setterwalls Advokatbyrå and Latham & Watkins as legal advisors to AAC in connection with the transaction. Livingstone Partners is acting as financial advisor, and Pinsent Masons and Tornngren Magnell as legal advisors to the Clyde Space shareholders.

#### **Audiocast for investors, analysts, and the media**

ÅAC Microtec CEO Alfonso Barreiro and Clyde Space CEO Craig Clark will present ÅAC's acquisition of Clyde Space in an audiocast on Friday 22<sup>nd</sup> December 2017, at 10.00 am CET.

The audiocast can be followed directly at this link:

<https://tv.streamfabriken.com/2017-aac-microtec-pressconference>

You may also participate by telephone, dial-in number(s) are as follows:

SE: +46 8 566 426 97

UK: +44 2 030 089 804

US: +1 855 831 59 46

#### **Further information**

For further information, please contact:

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Mr. Will Whitehorn, Chairman of Clyde Space Ltd at [will.whitehorn@speedcomms.com](mailto:will.whitehorn@speedcomms.com)

The information in this press release is such that ÅAC Microtec AB (publ) shall announce publicly according to the EU Regulation No 596/2014 on market abuse (MAR). The information was submitted for publication, through the agency of the contact person set out above, at 18:05 CET on 21 December, 2017.

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#### **About AAC Microtec**

*AAC Microtec provides high value space solutions and systems for commercial, governmental and educational customers on the global market through its direct sales and marketing with representation in Europe and the USA as well as a partner network in Japan and South Korea.*

*The company has a rare ability to produce advanced and highly reliable satellite platforms, sub-systems and components with robust electronics at a competitive price. AAC has a strong competitive advantage in that it operates with ITAR-free products in the high-end segment of the small satellite market. The products are flight-proven and has strong heritage.*

*Today, AAC supplies a wide range of end-users with state-of-the-art systems plus technology services and support. Customers include Airbus, the European Space Agency (ESA), NASA, OHB, the US Air*



*Force Research Laboratories (AFRL), JAXA, NEC/Toshiba, Raytheon, RUAG, the Swedish National Space Board (SNSB) and Swedish Defence Materiel Administration (FMV), Thales Alenia Space and York Space Systems as well as leading industrial groups now using our aerospace compliant devices in innovative products and applications.*

*AAC is a publicly listed company on Nasdaq First North Stockholm in Sweden. Major owners include, among others, Swedish Government-backed VC-firm Fouriertransform, RP Ventures, and Uppsala University Holding.*

#### **IMPORTANT INFORMATION**

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*This announcement is not a prospectus for the purposes of Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the "Prospectus Directive").*

*Matters discussed in this announcement may constitute forward-looking statements. Forward-looking statements are statements that are not historical facts and may be identified by words such as "believe," "expect," "anticipate," "intend," "estimate," "will," "may," "continue," "should" and similar expressions. The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although AAC Microtec AB believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant known and unknown risks, uncertainties, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this announcement by such forward-looking statements. The information, opinions and forward-looking statements contained in this announcement speak only as at its date, and are subject to change without notice.*

*The presented unaudited financial information relates to information extracted from each company's financial reporting and differences in accounting policies may occur. The combined financial information is only an aggregation of this financial information for the various businesses for the different time periods in order to provide an indication of the combined entity's sales and earnings under the assumption that the activities were included in the same group from the beginning of each period. The aggregation is based on a hypothetical situation and should not be viewed as pro forma since adjustments for the effects of future acquisitions analyses, various accounting standards and transaction costs have not yet been possible to make. Future synergies have not been taken into account. The financial information has not been audited or otherwise reviewed by AAC Microtec AB's or Clyde Space Ltd's auditors.*