



AAC Clyde Space to acquire U.S. SpaceQuest for 8.4 MUSD

2020-10-15 AAC Clyde Space AB (publ)

AAC Clyde Space ("AAC") has reached an agreement to acquire 100 % of the shares in SpaceQuest, Ltd in an all shares deal in a payment of 24,000,000 new AAC shares to the current owners of Space Quest. 8.4 MUSD is calculated on an AAC share price of SEK 3.15 per share and an exchange rate of 9.0 SEK to one (1) US dollar. The acquisition is subject to approval by the AAC Extraordinary General Meeting (EGM) and The Committee on Foreign Investment in the United States (CFIUS).

- SpaceQuest is a successful small satellite company operating in the world's largest and most dynamic space market.
- SpaceQuest operates a highly profitable Space as a Service (SaaS) business including mission operations of in-orbit satellites, allowing AAC Clyde Space to rapidly grow the SaaS business line.
- Through AAC's global reach, SpaceQuest's offering will be marketed to the global audience in need of mission critical data from space.

Commenting on the announcement **AAC Clyde Space CEO Luis Gomes stated** *"It is great to have SpaceQuest join the AAC family. This acquisition represents the next step in our strategy to grow our operations in the US, and to expand our Space as a Service business. SpaceQuest's fleet of satellites and ground station network represent a great addition of capability to our SaaS offering and further strengthens our plans to change the economics of delivering data services from space."*

Chairman Rolf Hallencreutz commented on the deal, *"We are transforming AAC into a true leader in the small satellite field. With SpaceQuest we gain a commercially attractive Space as a Service business and a strong foothold in the U.S, the largest and most dynamic space market. Last week's announcement of the acquisition of Hyperion shows our commitment to providing state of the art technology. By bringing these two companies into the group we become a truly global supplier of space systems and a very attractive partner for companies who are looking to exploit opportunities based on data from space."*

Founder and CEO of SpaceQuest Dino Lorenzini says *"With the access of AAC world class designs SpaceQuest will be able to successfully grow in the very dynamic US space market. There is a growing market demand for quality suppliers of satellite technology. The combination of SpaceQuest's brand name, products and satellite infrastructure, along with the platform designs from AAC opens up new opportunities for us. The combination of SpaceQuest, Hyperion and AAC Clyde Space creates a powerful and synergistic capability."*

SpaceQuest is a pioneer in small satellite technology that has built and launched 20 spacecrafts and supplies satellite components for many commercial aerospace companies and institutions, such as NASA, the Department of Defense, and Universities. It designed its first satellite 20 years ago. Currently Space Quest operates a fleet of satellites that hosts experimental payloads for several clients and collects AIS (Automatic Identification System) messages used in numerous maritime applications in a "Space as a Service" model.

With the acquisition of SpaceQuest, AAC extends its operations to the US with a new location in Virginia, growing its workforce to 107 staff at three different locations (Uppsala, Glasgow and Fairfax). The combined group's pro-forma revenue is approximately 51 MSEK in Q1-Q2 2020.

With the acquisitions of SpaceQuest and of Hyperion (see press release 17 October 2020), the AAC proforma group revenue for 2020 is estimated at 135 MSEK (approximately \$15M), a 35% increase over the previous published estimate (see press release 18 September 2020). Adding two profitable companies to the AAC Group facilitates AAC's goal to be EBITDA and operational cash flow positive in the near future.



Background and rationale

The U.S. is the world's largest and most dynamic space market with a significant and growing demand for small satellites. Although AAC is already present in the U.S. market supplying subsystems and satellites to commercial and some institutional customers, it would benefit further from a more significant U.S. presence, particularly in relation to US government organizations. Through SpaceQuest, AAC gains local manufacturing and may benefit from longstanding business relations with U.S. customers.

The two companies' market positions, technology competencies, resource bases, product offerings and customers are very complementary. Bringing together the product lines and service offerings of both companies will offer the market a unique range of capabilities and products, spanning satellite components, platforms, missions, operations, and the supply of data services from space.

The merging of product lines offers great potential for a joint market approach. Chief among those is the manufacturing of satellites and components developed by AAC in the US, allowing AAC products to reach a wider market.

Moreover, SpaceQuest has an impressive infrastructure, including its own satellite constellation and ground station network currently delivering a highly successful satellite data service. These capabilities will be instrumental in developing AAC's offer of SaaS.

The transaction

The acquisition is to be paid for with 24,000,000 new shares in AAC, representing a consideration of 8.4 MUSD, equivalent to approximately 75.6 MSEK. The number of shares is calculated on a share price of 3.15 kronor per share and an USD/SEK exchange rate of 9.0. The total consideration of 75.6 MSEK may change depending on the development of share price until the acquisition is completed. Following the acquisition, the shareholders of SpaceQuest will own approximately 20 per cent of the total number of shares and votes in AAC excluding the shares intended to be issued to Hyperion shareholders.

Additional revenue-based earn-out amounting to a maximum of 0.9, 1.0 and 1.3 MUSD for 2021, 2022 and 2023 respectively based on a USD 3M annual growth, will bring the SpaceQuest 2023 revenue to \$12M (approximately SEK 105 M). 2021 and 2022 earn-outs will be paid out in AAC shares while the 2023 earn-out will be paid out in cash. Earn-out 2021 represents a maximum of 2,314,285 shares and earn-out 2022 represents a maximum of 2,571,428 shares.

Lock-up undertakings

The AAC shares received are subject to a lock-up undertakings as follows: one third of the shares are subject to lock-up for 6 months, one third for 12 months and one third for 18 months.

Conditions

The acquisition, and the related share issue, is subject to standard conditions to closing, including approval by the General Meeting in AAC. The Board of Directors will call a General Meeting to resolve on the issues on 16 October 2020.

The acquisition also requires approval of the Committee of Foreign Investment in the United States (CFIUS). CFIUS is an interagency committee authorized to review certain transactions involving foreign investment in the United States in order to determine the effect of such transactions on the national security of the United States. The parties expect to receive required approvals in the coming months.

About SpaceQuest Ltd.

SpaceQuest was founded by its CEO Dr. Dino Lorenzini in 1994 and is based in Fairfax Virginia. The company is a pioneer in small satellite technologies with capabilities in satellite and component designs, and manufacturing with extensive test facilities. It has completed 11 launch campaigns, 20 spacecrafts and multiple component



qualification programs. It has designed, built, launched and operates its own fleet of satellites using its own and leased ground network infrastructure.

The company has an extensive client base, including companies such as LeoStella, Orbcomm, Iceye, Northrop Grumman, and organizations such as CSA, NASA, Air Force, Navy, as well as many Universities. The company has US Department of State and Commerce export licensing experience.

The company has a long history as a highly profitability company. Revenue for the first six months of 2020 amounted to 0.9 MUSD with an EBITDA margin of 20 %. Revenue for full-year 2020 is estimated to be 2.5 MUSD.

Dr. Lorenzini is a retired Colonel in the US Air Force where he held senior management responsibilities for several major space development projects, including the Apollo Lunar Module, the Peacekeeper Missile Guidance and Control System, NAVSTAR Global Positioning System, DARPA's Space Based Laser Program and the Strategic Defense Initiative. He is a Distinguished Graduate of the U.S. Air Force Academy. He received his Ph.D. and M.S. degrees in Astronautical Engineering from MIT and holds an MBA from Auburn University. Dr. Lorenzini will continue his work for SpaceQuest and the AAC Clyde Space Group. See www.spacequest.com.

Timeplan

- 16 October 2020: Notice to Extraordinary General Meeting in AAC is announced on the Company's webpage
- 5 November 2020: Extraordinary General Meeting in AAC
- November/December 2020: Settlement date depending on approval from CFIUS

Advisors

Setterwalls Advokatbyrå is legal advisor to AAC as regards Swedish law. Cooley and Latham&Watkins are legal advisors as to US law and PwC is financial advisor in connection with the transaction.

FOR MORE INFORMATION:

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ABOUT AAC CLYDE SPACE

AAC Clyde Space offers turnkey solutions and services from mission design to on-orbit operations, including reliable customizable satellite platforms in the range of 1 to 50 Kg and a full range of subsystems for cube and small satellites. With unrivalled flight heritage and end-to-end service, AAC Clyde Space enables customers to reach their mission goals through a single, trusted point of contact.

AAC Clyde Space's shares are traded on Nasdaq First North Premier Growth Market and on the OTCQX Market. Erik Penser Bank AB, e-mail certifiedadviser@penser.se, telephone +46 8 463 83 00, is the Certified Adviser.