

Aerospace & Defence

Key data

Price (SEK)*	10.6
Country	Sweden
Bloomberg	GOMX.SS
Reuters	GOMX.ST
Free float	77.0%
Market cap (SEKm)	553
Net debt (current Y/E) (SEKm)	-43
No. of shares (m)	52.3
Next event	Q3: 1-Feb

* Price as at 11:10 CET 26 October 2020

CEO	Niels Buus
CFO	Troels Dalsgaard Normolle

Company description

GomSpace is a 'new space' company that was founded in 2007 by Ph.D. students at the Aalborg University in Denmark. Since, GomSpace has developed into a leading nanosatellite manufacturer with a global reach and c.130 employees. GomSpace was listed on Nasdaq First North in 2016.

Ownership structure

BNY Mellon SA/NV FRKN Jyske Banl	10.8%
Hansen & Langeland Aps	10.0%
BNY Mellon SA/NV (Former BNY) Wt	5.2%
BNP Paribas SEC Services Paris, W8	4.5%
Sparekassen Kronjylland	3.9%

Source: Company data (30 September 2020)

Estimate changes

	20E	21E	22E
Sales	-0.7%	-0.0%	1.3%
EBITDA	n.m.	4.9%	3.5%
EBIT (adj.)	n.m.	n.m.	8.8%
EPS (adj.)	n.m.	n.m.	n.m.

Source: Danske Bank Equity Research estimates

Analyst(s)

Viktor Högberg
Siri Ladow

Find our research here:
<https://research.danskebank.com>

Important disclosures and certifications are contained from page 10 of this report

GomSpace

Cost control on track

GomSpace delivered Q3 results largely in line with our estimates, with sales growing 148% y/y (from a low base) and EBIT improving from SEK-27m to SEK-7m. Cash flow was good (albeit helped by favourable working capital) but overall opex and cash flow show that GomSpace is on track to reach its target of positive operational cash flow. We slightly increase our valuation range from SEK7-26 to SEK9-27.

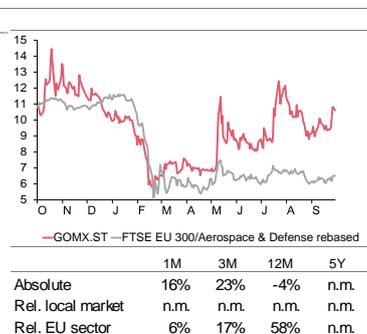
- Q3 20 review.** Q3 revenue and EBIT were roughly in line with our estimates and with EBIT improving by SEK20m y/y to SEK-7m and operational cash flow (before working capital) improving by SEK22m to SEK-1m, GomSpace showed its target of positive operational cash flow could be in reach. The main item in Q3 was the SEK136m order intake, with the EUR11m order from ESA standing out. This order refers to deliveries to the Hera project (Juventas CubeSat), which is set to launch in 2024. GomSpace is likely to finish order delivery (and revenue recognition) by 2023, meaning c.30-35m annual revenues over the next three years. In the Q3 report, GomSpace reiterated its 2020 revenue guidance, which implies a relatively wide revenue range for Q4 (SEK38-63m). We believe this is due to limited visibility on some major deliveries and on which side of New Year these will fall. We continue to estimate SEK49m in Q4 revenue, with the gross margin and EBIT improving due to expected higher volumes.
- Pandemic increases risk of client delays.** We expect satellite launch delays in this nascent market, with many of GomSpace's most important clients currently facing delays due to funding issues or a crowded/grounded launch market. Most companies need to pass certain milestones (such as satellite launches) to ensure further financing, which adds to delays. Commercial orders have higher gross margins than science orders.
- Estimate revisions.** In terms of absolute numbers, we make minor positive estimate revisions.
- Valuation.** Based on our estimates, GomSpace trades at EV/sales 2021E of 2.6x. We continue to see value in the shares but also acknowledge that this is not without risk, as clients need to progress further with their projects in order for this to materialise, i.e. the outlook for commercial orders needs to become clearer, which might take until some time in 2021. On the back of estimate revisions and higher peer multiples, we raise our valuation range from SEK7-26 to SEK9-27.

Key financials

Year-end Dec (SEK)	2018	2019	2020E	2021E	2022E
Revenues (m)	153	136	171	214	310
Revenues growth	59.1%	-11.2%	25.5%	25.0%	44.9%
EBITDA (m)	-96.1	-81.6	-3.2	28.6	68.0
EBIT adj. (m)	-117	-114	-36.5	-7.4	28.5
EBIT growth	-72.5%	2.3%	67.9%	79.7%	n.m.
Pre-tax profit (m)	-123	-147	-50.1	-11.4	24.5
EPS adj.	-3.93	-2.90	-0.88	-0.22	0.47
DPS	0.00	0.00	0.00	0.00	0.00
Dividend yield					
FCFE yield (pre-IFRS16)	-63.3%	-22.9%	-1.0%	-9.6%	-1.7%
EBIT margin (adj.)	-76.0%	-83.6%	-21.4%	-3.5%	9.2%
Net debt/EBITDA (x)	2.4	0.6	13.5	0.3	0.3
ROIC	-70.0%	-64.6%	-17.9%	-2.7%	11.0%
EV/sales (x)	n.m.	4.0	3.0	2.6	1.8
EV/EBITDA (adj.) (x)	n.m.	n.m.	n.m.	19.6	8.4
EV/EBIT (adj.) (x)	n.m.	n.m.	n.m.	79.3	12.5
EV/EBIT (adj.) (x)	n.m.	n.m.	n.m.	n.m.	20.1
P/E (adj.) (x)	n.m.	n.m.	n.m.	n.m.	22.6

Source: Company data, Danske Bank Equity Research estimates

Price performance



Source: FactSet

Not for US distribution

Q3 20 summary

The Q3 numbers are roughly in line with our estimates, with sales increasing 148% y/y (from a low base) to SEK39m and EBIT improving to SEK-7.2m, from SEK-27.3m in Q3 19.

GomSpace continues to execute well on its cost control and says it is approaching its target of positive operating cash flow. The cash position at the end of Q3 was a comforting SEK154m, however, we expect the favourable working capital movement in Q3 to reverse some in Q4.

Order intake was strong at SEK136m, which includes the EUR11m ESA order on a gross basis, with EUR6.1m of this GomSpace's – so a lower gross margin on the rest of order. Q3 orders are mainly for the next couple of years and GomSpace maintains its 2020 revenue guidance.

Targets

GomSpace maintains its 2020 revenue guidance of SEK160-185m. YTD revenues are SEK122m and imply our SEK49m Q4 revenue estimate could hold. GomSpace also said it is approaching its target of positive cash flow from operations.

Table 1: Deviation of actual from estimated Q3 20 results

SEKm	Q3 20A	Q3 20E	Deviation	Q3 19
Revenues	39.1	40.3	-3%	15.8
Gross profit	9.2	11.1	-17%	1.8
Gross profit margin	24%	27%	-3.9%	11%
Opex	-8.3	-10.0	17%	-20.9
Adj. EBITDA	1.0	1.0	8%	-19.1
Depreciation & amortisation	-8.2	-8.4	2%	-8.2
Adj. EBIT	-7.2	-7.3	1%	-27.3
PTP	-9.3	-8.3	-12%	-27.5
Net profit	-7.4	-7.9	6%	-38.6
Revenue growth	148%	156%	-7%	-53%
EBIT growth	n.m.	n.m.	n.m.	-10%
EBITDA margin	2%	3%	n.m.	-121%
EBIT margin	-118%	-66%	-52%	-173%

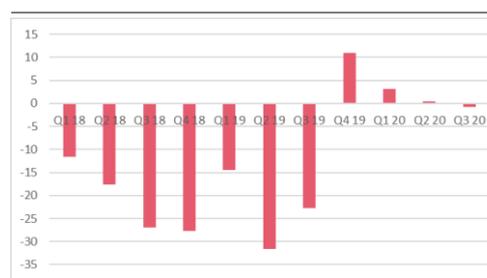
Source: Company data, Danske Bank Equity Research estimates

Cash flow

Q3 free cash flow generation was strong at SEK28m (up from SEK-28m in Q3 19). However, working capital boosted this positively. If we adjust for this, operational cash flow improved to SEK-1m, from SEK-23m in Q3 19. It was SEK0m in Q2 20.

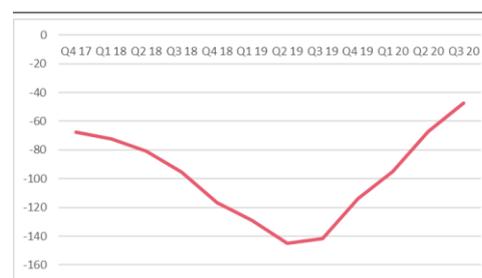
GomSpace ended Q3 with a comforting cash position of SEK154m, with limited debt.

Chart 1: Operational cash flow (before changes in working capital), quarterly (SEKm)



Source: Company data, Danske Bank Equity Research

Chart 2: EBIT, rolling 12 months (SEKm)



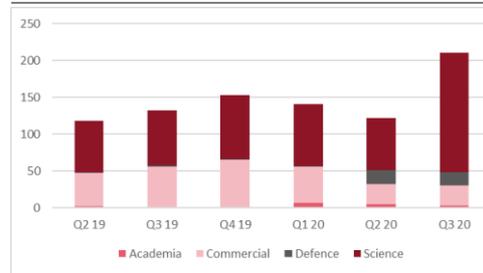
Source: Company data, Danske Bank Equity Research

Not for US distribution

Order intake

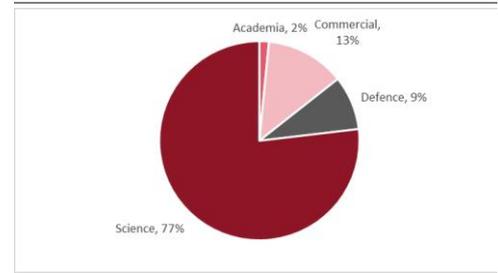
In Q3, GomSpace's order intake was SEK136m (of which c.SEK114m [EUR11m] from the ESA order, detailed below. After quarter-end, GomSpace published a press release announcing another SEK27m in ESA orders.

Chart 3: Order backlog Q3 20 (SEKm)



Source: Company data, Danske Bank Equity Research

Chart 4: Order backlog 30 September 2020



Source: Company data, Danske Bank Equity Research

Project pipeline

We highlight three important projects that could scale up to significant volume orders over the next two to four years. Note that the project pipeline is not limited to these projects. Clients securing funding are key for the success of the projects.

Notable recent orders

- Q3 20:** EUR11.0m order (of which EUR6.1m directly to GomSpace, the rest to partners) from ESA for the Hera project (Juventas CubeSat) running until 2024, for a nanosatellite to measure asteroids. This is a large order adding to the Science order backlog. While gross margins on these orders are lower than for commercial projects, we find it positive for GomSpace to have a solid Science backlog until the outlook for the commercial market becomes clearer.
- Q2 20:** SEK19m order for a Norwegian military communications satellite (for the research institute Norwegian Defence Research Establishment [FFI]), with the launch planned in October 2021. We assume revenue recognition is spread out until Q3 21.
- Q4 19:** Order for Lockheed Martin Space (US)/Orbital Micro Systems (UK). This is an important contract to build a 6U nanosatellite for Lockheed Martin, with the end-customer being Orbital Micro System. Lockheed Martin is set to finance the design/build process but, more importantly, it is due to provide technical assistance, review, test and, if satisfied, approve the work done by GomSpace – a strategically important quality stamp. The contract is worth SEK17m, with revenue recognition throughout 2020. It is the first deal with Lockheed Martin for GomSpace and is part of an industrial co-operation commitment to Denmark (but there were still other competitors for this contract).
- Q4 19:** GomSpace announced an SEK18.6m order for UnseenLabs (France) in Q1 20 at the client's request but had taken and booked it in Q4 19. The order from UnseenLabs is to conclude the design and delivery of nanosatellite platforms, a continuation of the collaboration between the two companies. UnseenLabs aims to provide maritime surveillance systems. The contract is due for fulfilment in 2020.
- Q4 19:** This North American geo-intelligence customer order is a SEK8m order with delivery in 2020 for an existing North American customer, to provide GomSpace's Software Defined Radio and antennas for a customer in the geo-intelligence industry. In addition, it is strategically important for a Danish company to supply intelligence payload to what we believe is a US company.

Not for US distribution

This report is for Troels Dalsgaard Nørmølle @ GomSpace. Unauthorized redistribution of this report is prohibited.

While we estimate that neither Aistech nor Kleos accounts for a material part of the current order backlog, below we highlight some parts of the landscape for commercial satellite companies.

Aistech

Aistech is a peer to Aerial & Maritime with a similar proposition, i.e. to offer aircraft tracking over the North and South Poles and different types of asset tracking. The company entered into a framework delivery agreement with GomSpace in September 2017 for delivery of up to 100 satellites by 2022. The contract is worth up to EUR12.5m. The first 10 satellites in the Danu constellation were scheduled for launch in late 2019. However, we gather that the Danu constellation launches have been delayed, possibly due to funding. If the initial phase of this constellation is successful, we believe it is likely the company will place additional orders with GomSpace. Further to the equipment-supply agreement, GomSpace also entered a five-year data supply agreement, which started in 2018. The agreement is worth USD1-8m, with the range driven by optionality in the agreement.

Aistech is held privately and we have no insight into its financials but assume it will need to raise equity in order to fulfil its commitments to GomSpace. In July 2018, GomSpace signed a follow-up order, under the initial frame agreement, worth EUR1.4m and delivered on this order in Q1 19. We believe the orders announced by GomSpace relate to the Danu project but, on top of this, Aistech has another planned constellation, the Hydra constellation. To our knowledge, Aistech planned to schedule its first four satellites for launch in 2020 and plans that the total constellation will contain 30 satellites. Despite no insight, we believe the global shutdowns could delay this. Although the planned constellation is smaller than Danu (100), the satellites are larger (six units versus two units for Danu), so the supply value for this constellation could very well be similar to the EUR12.5m in potential order value for the equipment for Danu. Given normal lead times, if the constellation moves ahead and if GomSpace is the supplier, we believe we could also see orders for the Hydra constellation within the next couple of years.

Kleos Space

Kleos Space is a Luxembourg-based space technology operator listed on the Australian Securities Exchange. Kleos Space aims to guard borders, protect assets and save lives by delivering global activity-based intelligence and geolocation as a service. The first Kleos Space satellite system, known as Kleos Scouting Mission (KSM), is set to perform a technology demonstration that would be the keystone for a subsequent global high-capacity constellation. GomSpace has won the initial EUR2.4m order to develop the scouting mission and, if successful, we expect the order to scale up as the constellation builds out further.

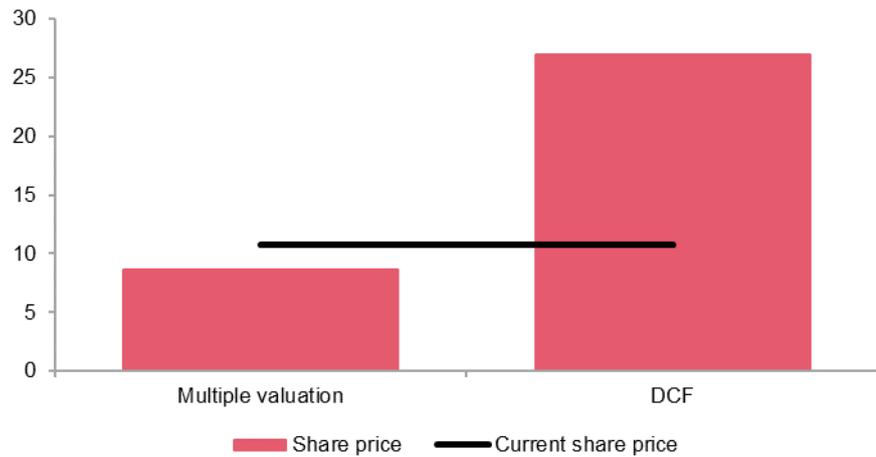
Kleos accounted for 28% of group revenues in Q4 18 (SEK11m) and 10% in Q1 19 (SEK3m). Recently, KSM passed a milestone, the Critical Design Review, and is waiting to launch. Kleos postponed the launch from Q2 19 and had been aiming for Q1 20 (according to nanosats.eu and Spaceflight Now) but we believe further delays are likely due to coronavirus lockdowns.

Valuation

We still see significant long-term potential following the uncertainty regarding the SAS order and a writedown of A&M earlier this year, even though risk is set to stay high in the short term, as illustrated by the current mismatch between capacity and activity level. We raise our valuation range slightly from SEK7-26 to SEK9-27.

Not for US distribution

Chart 5: Value per share potential with different valuation approaches (SEK)



Source: Danske Bank Equity Research estimates

In our DCF, with a long-term market share approaching 10% and WACC of 11.9%, the value is SEK27 (previously SEK26). In this scenario, GomSpace reaches SEK1.5bn sales in 2027. We base our multiple valuation on EV/EBIT 2022E of 16.4x, reflecting the Nordic tech peer group’s 2022E multiple discounted, which gives us a value of SEK9 per share (previously SEK7). If we use 2023E EBIT as a basis for our multiple valuation, the non-discounted value would increase to SEK26 per share. In light of the uncertain outlook regarding timing of customer orders, we await more visibility before using our 2023 estimates as a basis for the multiple valuation.

Risks

The most tangible risk we see for GomSpace is execution risk, as the company is gearing up for a significant increase in production. The industrialisation of production was set to commence in 2018 but due to customer delays, production and revenues have yet to scale up significantly. However, going from low- to high-volume production is an inherently risky phase in a company’s growth profile, as demonstrated by the current overcapacity situation. Another risk is customers’ ability to secure external funding and meet their obligations to GomSpace. The large customers, and potential customers, are typically start-up companies aiming to build a satellite communication constellation. The predominant source of funding is externally raised equity and debt.

The launch of satellites could become a constraining factor in the event of high growth in the segment. A reduction in launch costs is a critical driver for the small-satellite market growing to the high end of industry analysts’ expectations. Based on our current projections for the market and GomSpace’s growth, we do not see launch capacity constraints as an issue but these could limit growth significantly above our estimates.

Demand for low Earth orbit (LEO) based services is the core of small-satellite demand. This includes imagery-based intelligence, sensing activities such as radio-frequency mapping, automatic identification systems and weather monitoring. The demand for such services in space, in turn, requires continued downward pressure on costs (satellite assembly, increased modularisation and increased automation). In addition, it requires continued rapid technology development for components and systems. Our conclusion from visiting GomSpace’s production facilities is that we are seeing exactly the increase in modularisation and automation of production that the research institute said is required to support growth in the small-satellite industry.

Not for US distribution

This report is for Troels Dalsgaard Nørmølle @ Gomspace. Unauthorized redistribution of this report is prohibited.

Competing systems developing more quickly than expected could hamper growth in small satellites. This includes breakthroughs when it comes to the relative value propositions and technology development of larger satellites. Other breakthroughs that risk hurting the relative benefits of small satellites could be terrestrial or airborne platforms.

Understanding the nature of an emerging, venture capital-funded industry

GomSpace operates in an emerging new industry, with projects funded to a high degree by venture capital. Even if we are convinced that the potential is significant, the outcome of the planned projects is very difficult to forecast, given that they rely on external equity funding. This makes communication with the equity market very difficult, as there are a number of projects with significant potential but GomSpace's management does not control the funding of the projects. Consequently, the chances of success and the actual timing of projects are very difficult to forecast. Company forecasts based on these uncertain projects increase the volatility in the company's demand and, consequently, the accuracy of long-term forecasts. This is important to understand when investing in GomSpace. Our view remains that it is the right strategy to industrialise volume production of nanosatellites in order to achieve a market-leading position and drive growth in the industry.

Key figures

Table 2: GomSpace - key figures 2019

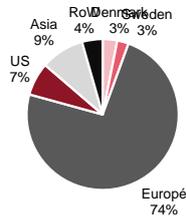
SEKm	Q1 19	Q2 19	Q3 19	Q4 19	2019	Q1 20	Q2 20	Q3 20	Q4 20E	2020E	2021E	2022E
Revenues	29.9	52.2	15.8	38.4	136.3	40.5	42.7	39.1	48.7	171.0	213.7	309.7
Gross profit	0.4	12.0	1.8	3.8	18.0	9.8	4.8	9.2	14.9	38.8	78.6	134.9
Gross margin	1%	23%	11%	10%	13%	24%	11%	24%	31%	23%	37%	44%
EBITDA	-20.0	-34.4	-19.1	-8.0	-92.2	0.1	-9.3	1.0	3.7	-4.5	28.6	68.0
EBITDA margin	-67%	-66%	-121%	-21%	-68%	0%	-22%	2%	8%	-3%	13%	22%
EBIT	-27.7	-42.3	-27.3	-16.6	-113.9	-8.5	-14.9	-7.2	-4.4	-36.5	-7.4	28.5
EBIT margin	-93%	-81%	-173%	-43%	-84%	-21%	-35%	-18%	-9%	-21%	-3%	9%
PTP	-29.7	-43.3	-27.5	-46.1	-146.6	-8.2	-25.6	-9.3	-5.5	-50.1	-11.4	24.5
Net profit	-30.3	-42.3	-38.6	-40.6	-151.8	-7.5	-24.4	-7.4	-5.2	-46.1	-11.4	24.5
Revenue												
Sales of satellite solutions	22.6	41.1	11.5	23.7	98.8	31.7	31.9	33.0	35.5	132.2	156.0	229.7
Sales of platforms, payloads & subsystems	7.2	11.0	4.1	14.6	36.9	8.7	9.5	7.5	13.0	38.7	44.5	51.2
Constellation management	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.3	28.9
Other	0.1	0.1	0.1	0.1	0.0	0.0	0.2	0.0	0.1	0.0	0.0	0.0
Total	29.9	52.2	15.8	38.4	136.3	40.5	41.6	40.5	48.7	171.2	213.7	309.7
Growth												
Sales of satellite solutions	-28%	23%	-61%	-3%	-16%	-73%	42%	-20%	209%	34%	18%	47%
Sales of platforms, payloads & subsystems	15%	33%	-5%	-6%	7%	-75%	32%	-32%	215%	5%	15%	15%
Constellation management					n.m.					n.m.	n.m.	n.m.
Other	-32%	-33%	-24%	-38%	0%	-100%	80%	%	-29%	0%	0%	0%
Total	-21%	25%	-53%	-5%	-11%	35%	-20%	157%	27%	26%	25%	45%

Source: Company data, Danske Bank Equity Research estimates

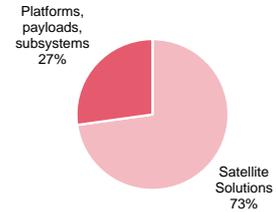
Not for US distribution

Company summary

Sales breakdown by geographical area



Sales breakdown by division



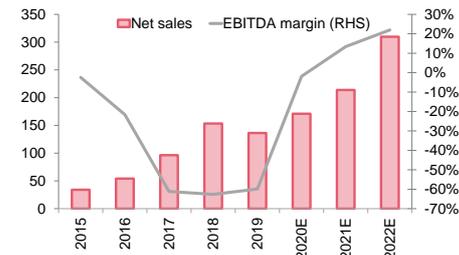
Company information

GomSpace
 Langagervej 6 9220 Aalborg East
 Denmark
 gomspace.com

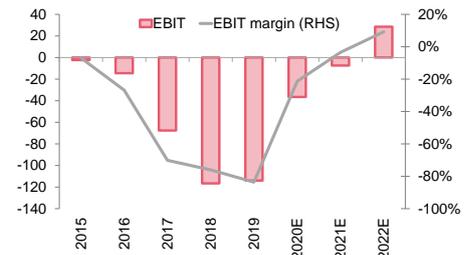
Main shareholders

Name	Votes (%)	Capital (%)
BNY Mellon SA/NV FRKN Jyske Bank, v	10.8%	10.8%
Hansen & Langeland Aps	10.0%	10.0%
BNY Mellon SA/NV (Former BNY) W8IM*	5.2%	5.2%
BNP Paribas SEC Services Paris, W8IM*	4.5%	4.5%
Sparekassen Kronjylland	3.9%	3.9%

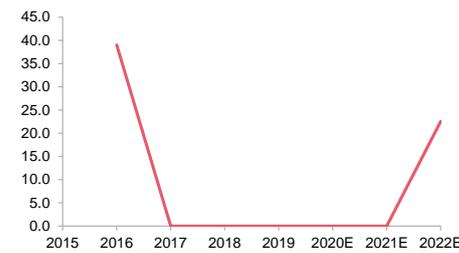
Net sales and EBITDA margin (SEKm)



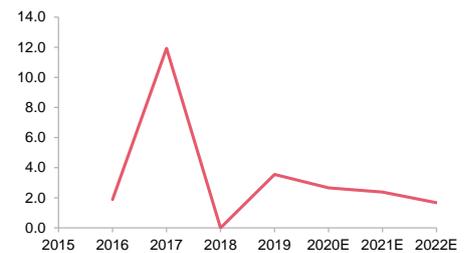
EBIT and EBIT margin (SEKm)



P/E NTM (x)



EV/sales NTM (x)



Source: FactSet, Company data, Danske Bank Equity Research estimates

Not for US distribution

Summary tables

INCOME STATEMENT										
Year end Dec, SEKm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net sales	9.7	26.6	34.1	54.1	96.4	153	136	171	214	310
Cost of sales & operating costs	-8.7	-23.4	-34.9	-65.9	-155	-249	-218	-174	-185	-242
EBITDA	1.0	3.2	-0.8	-11.7	-58.9	-96.1	-81.6	-3.2	28.6	68.0
EBITDA, adj.	1.0	3.2	-0.8	-11.7	-58.9	-96.1	-81.6	-3.2	28.6	68.0
Depreciation	-0.1	-0.1	-0.4	-0.8	-3.9	-9.6	-20.7	-20.1	-21.6	-22.3
EBITA	0.9	3.1	-1.2	-12.5	-62.8	-106	-102	-23.3	7.1	45.8
EBIT incl. EO, bef. ass.	0.2	1.8	-2.4	-14.5	-67.6	-117	-114	-36.5	-7.4	28.5
EBIT, adj.	0.2	1.8	-2.4	-14.5	-67.6	-117	-114	-36.5	-7.4	28.5
Associated income				21.4	4.6	-2.1	-26.0	-9.0		
Financial items, net	-0.2	-0.2	-0.8	-1.4	-3.5	-4.1	-6.7	-4.5	-4.0	-4.0
Pre-tax profit	0.0	1.6	-3.1	5.5	-66.5	-123	-147	-50.1	-11.4	24.5
Taxes	0.0	-0.4	0.8	3.5	12.5	10.3	-5.1	4.0		
Net profit, rep.	0.0	1.2	-2.4	9.0	-54.0	-112	-152	-46.1	-11.4	24.5
Net profit, adj.	0.0	1.2	-2.4	9.0	-54.0	-112	-152	-46.1	-11.4	24.5
CASH FLOW										
SEKm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EBITDA	1.0	3.2	-0.8	-11.7	-58.9	-96.1	-81.6	-3.2	28.6	68.0
Change in working capital	1.2	-4.4	-9.7	-4.7	43.5	-18.7	-34.6	20.1	-43.4	-27.2
Net interest paid	-0.2	-0.2	-0.7	-1.3	-1.4	-3.6	-4.6	-4.5	-4.0	-4.0
Taxes paid	0.5	0.1			2.3	5.3	7.7	4.0		
Other operating cash items		0.1		0.4	6.2	10.6	20.4			
Cash flow from operations	2.5	-1.1	-11.2	-17.4	-8.4	-103	-92.6	16.4	-18.7	36.8
Capex	-1.5	-1.3	-6.1	-12.1	-55.8	-81.8	-32.7	-12.5	-25.0	-37.0
Div to min										
Free cash flow	1.0	-2.4	-17.3	-29.4	-64.2	-184	-125	3.9	-43.7	-0.2
Disposals/(acquisitions)				-2.9	-24.1					
Free cash flow to equity	1.0	-2.4	-17.3	-32.3	-88.3	-184	-125	3.9	-43.7	-0.2
Dividend paid										
Share buybacks										
New issue common stock			8.9	125	95.4	356		0.2		
Incr./(decr.) in debt		0.0	3.8	2.4	20.1	0.8	-6.0	-0.2		
Minorities & other financing CF	0.0			-22.1	-2.8	1.1	-10.9	-9.4	-9.4	-9.4
Cash flow from financing	0.0	0.0	12.7	105	113	358	-17.0	-9.4	-9.4	-9.4
Disc. ops & other	0.0	0.0	0.1	-14.4	2.7					
Incr./(decr.) in cash	1.0	-2.4	-4.5	58.5	24.4	174	-142	-5.5	-53.1	-9.6
BALANCE SHEET										
SEKm	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Cash & cash equivalents	1.8	1.5	1.3	73.8	95.6	269	127	122	68.5	59.0
Inventory	1.4	3.5	2.9	4.3	9.8	34.8	24.1	23.9	37.4	55.8
Trade receivables	2.3	9.1	16.8	52.1	65.8	97.0	37.2	37.6	59.8	89.8
Other current assets	0.0	0.0	0.0	0.0	0.0		25.2	25.6	38.5	55.8
Goodwill				3.7	3.7	3.2	3.7	3.7	3.7	3.7
Other intangible assets	4.7	4.4	8.4	27.3	62.4	115	117	115	118	126
Fixed tangible assets	0.2	0.5	0.7	6.4	21.3	37.9	31.1	22.6	19.8	19.2
Associated companies				36.7	41.9	34.6	11.8	2.8	2.8	2.8
Other non-current assets				4.8	12.7	16.2	5.2	5.2	4.6	4.6
Total assets	10.4	19.1	30.1	209	313	609	437	413	407	471
Shareholders' equity	6.0	7.7	13.8	146	185	442	296	251	241	266
Of which minority interests										
Current liabilities	3.6	8.0	4.6	46.4	93.8	131	59.6	80.4	85.5	124
Interest-bearing debt	0.0	2.2	10.8	13.5	34.0	36.2	23.8	23.6	23.6	23.6
Pension liabilities										
Oth non-curr. liabilities	0.7	1.1	0.9	3.1			2.9	2.9	2.9	2.9
Total liabilities	4.3	11.3	16.3	63.0	128	167	141	162	167	205
Total liabilities and equity	10.4	19.1	30.1	209	313	609	437	413	407	471
Net debt	-1.8	0.6	9.5	-60.3	-61.6	-233	-103	-98.1	-44.9	-35.3

Source: Company data, Danske Bank Equity Research estimates

Summary tables

PER SHARE DATA	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
No. of shares, fully diluted (y.e.) (m)				24.5	26.3	52.3	52.3	52.3	52.3	52.3
No. of shares, fully diluted (avg.) (m)				14.6	25.9	28.6	52.3	52.3	52.3	52.3
EPS (SEK)				0.62	-2.09	-3.93	-2.90	-0.88	-0.22	0.47
EPS adj. (SEK)				0.62	-2.08	-3.93	-2.90	-0.88	-0.22	0.47
DPS (SEK)				0.00	0.00	0.00	0.00	0.00	0.00	0.00
CFFO/share (SEK)				-1.2	-0.3	-3.6	-1.8	0.3	-0.4	0.7
Book value/share (SEK)				5.96	7.06	8.45	5.66	4.80	4.60	5.09
MARGINS AND GROWTH	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EBITDA margin	10.1%	12.1%	-2.4%	-21.6%	-61.1%	-62.7%	-59.9%	-1.9%	13.4%	22.0%
EBITA margin	9.5%	11.6%	-3.5%	-23.2%	-65.1%	-68.9%	-75.0%	-13.6%	3.3%	14.8%
EBIT margin	2.5%	6.6%	-6.9%	-26.8%	-70.1%	-76.0%	-83.6%	-21.4%	-3.5%	9.2%
EBIT adj margin	2.5%	6.6%	-6.9%	-26.8%	-70.1%	-76.0%	-83.6%	-21.4%	-3.5%	9.2%
Sales growth		n.m.	27.9%	58.8%	78.1%	59.1%	-11.2%	25.5%	25.0%	44.9%
EBITDA growth		n.m.	n.m.	n.m.	n.m.	-63.0%	15.1%	96.1%	n.m.	n.m.
EBITA growth		n.m.	n.m.	n.m.	n.m.	-68.3%	3.3%	77.2%	n.m.	n.m.
EPS adj growth					n.m.	-88.5%	26.1%	69.7%	75.2%	n.m.
PROFITABILITY	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
ROIC (after tax, incl. GW, adj.)	3.7%	18.8%	-10.6%	20.8%	-51.5%	-70.0%	-64.6%	-17.9%	-2.7%	11.0%
ROIC (after tax, excl. GW, adj.)	3.7%	18.8%	-10.6%	21.5%	-53.5%	-71.6%	-65.6%	-18.2%	-2.8%	11.1%
ROE (adj.)	0.5%	17.8%	-22.0%	11.2%	-32.6%	-35.9%	-41.2%	-16.9%	-4.6%	9.7%
ROIC (adj.) - WACC	-8.2%	6.9%	-22.5%	8.9%	-63.4%	-81.9%	-76.5%	-29.8%	-14.6%	-0.9%
MARKET VALUE	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Share price (SEK)				24.0	62.4	10.2	11.2	10.6	10.6	10.6
No. shares reduced by buybacks (m)				24.5	26.3	52.3	52.3	52.3	52.3	52.3
Mkt cap used in EV (m)				588	1,638	532	588	553	553	553
Net debt, year-end (m)	-2	1	10	-60	-62	-233	-49	-43	10	19
MV of min/ass and oth (m)	0	0	0	-426	-426	-426	0	0	0	0
Enterprise value (m)				102	1,150	n.m.	539	510	563	572
VALUATION	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EV/sales (x)				1.88	11.93	n.m.	3.96	2.98	2.63	1.85
EV/EBITDA (x)				n.m.	n.m.	n.m.	n.m.	n.m.	19.6	8.4
EV/EBITA (x)				n.m.	n.m.	n.m.	n.m.	n.m.	79.3	12.5
EV/EBIT (x)				n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	20.1
P/E (reported) (x)				39.0	n.m.	n.m.	n.m.	n.m.	n.m.	22.6
P/E (adj.) (x)				39.0	n.m.	n.m.	n.m.	n.m.	n.m.	22.6
P/BV (x)				4.03	8.84	1.20	1.99	2.20	2.30	2.08
EV/invested capital (x)				1.3	10.4	n.m.	2.2	2.5	2.3	2.0
Dividend yield										
Total yield (incl. buybacks)										
FCFE-yield				-5.00%	-3.92%	-34.64%	-21.33%	0.71%	-7.91%	-0.03%
FINANCIAL RATIOS	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net debt/EBITDA (x)	-1.8	0.2	-11.5	5.2	1.0	2.4	0.6	13.5	0.3	0.3
Net debt/equity (x), year-end	-0.3	0.1	0.7	-0.4	-0.3	-0.5	-0.2	-0.2	0.0	0.1
Dividend payout ratio				0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest coverage (x)	1.2	9.8	-2.4	-7.3	-8.4	-15.0	-15.8	-5.9		
Cash conversion (FCF/net profit)	n.m.	-196.3%	n.m.	-327.8%	n.m.	n.m.	n.m.	n.m.	n.m.	-0.7%
Capex/sales	15.5%	4.8%	17.8%	22.3%	57.9%	53.3%	24.0%	7.3%	11.7%	11.9%
NWC/sales	1.2%	17.2%	44.3%	18.4%	-18.9%	0.9%	19.8%	4.0%	23.5%	25.0%
QUARTERLY P&L			Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20E
Sales (m)			29.9	52.2	15.8	38.4	40.5	42.7	39.1	48.7
EBITDA (m)			-22.4	-37.2	-21.8	-10.8	-2.6	-9.3	-1.8	1.0
EBIT before non-recurring items (m)			-27.7	-42.3	-27.3	-16.6	-8.5	-17.7	-7.2	-1.6
Net profit (adj.) (m)			-30.3	-42.3	-38.6	-40.6	-7.5	-27.2	-7.4	-4.0
EPS (adj.) (SEK)			-0.58	-0.81	-0.74	-0.78	-0.14	-0.52	-0.14	-0.08
EBITDA margin			-74.9%	-71.3%	n.m.	-28.1%	-6.5%	-21.7%	-4.6%	2.0%
EBIT margin (adj.)			-92.8%	-81.1%	n.m.	-43.3%	-21.0%	-41.3%	-18.5%	-3.4%

Source: Company data, Danske Bank Equity Research estimates

Disclosures

This commissioned research report has been prepared by Equity Research, a division of Danske Bank A/S ('Danske Bank'). The authors of this research report are Viktor Högberg and Siri Ladow.

This commissioned research report should be considered marketing material, as it has been requested and paid for by GomSpace and has therefore not been prepared in accordance with the legal requirements designed to promote the independence of investment research. However, the report is still subject to prohibition on dealing ahead of the dissemination of the report.

Analyst certification

Each research analyst responsible for the content of this commissioned research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report.

Regulation

Danske Bank is authorised and subject to regulation by the Danish Financial Supervisory Authority and is subject to the rules and regulation of the relevant regulators in all other jurisdictions where it conducts business. Danske Bank is subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority (UK). Details on the extent of the regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from Danske Bank on request.

Danske Bank's commissioned research reports are prepared in accordance with the recommendations of the Danish Securities Dealers Association.

Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence from outside influences. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity of research and independence from outside influence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from and do not report to other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Danske Bank, its affiliates, subsidiaries and staff may perform services for or solicit business from GomSpace and may hold long or short positions in, or otherwise be interested in, the financial instruments mentioned in this research report. The Equity and Corporate Bonds analysts of Danske Bank and undertakings with which the Equity and Corporate Bonds analysts have close links are, however, not permitted to invest in financial instruments that are covered by the relevant Equity or Corporate Bonds analyst or the research sector to which the analyst is linked.

Danske Bank, its affiliates and subsidiaries are engaged in commercial banking, securities underwriting, dealing, trading, brokerage, investment management, investment banking, custody and other financial services activities, may be a lender to GomSpace and have whatever rights as are available to a creditor under applicable law and the applicable loan and credit agreements. At any time, Danske Bank, its affiliates and subsidiaries may have credit or other information regarding GomSpace that is not available to or may not be used by the personnel responsible for the preparation of this report, which might affect the analysis and opinions expressed in this research report.

Danske Bank is a market maker and a liquidity provider and may hold positions in the financial instruments of the issuer(s) mentioned in this research report.

Part of this research report have been disclosed to GomSpace for factual check.

As an investment bank, Danske Bank, its affiliates and subsidiaries provide a variety of financial services, including investment banking services. It is possible that Danske Bank and/or its affiliates and/or its subsidiaries might seek to become engaged to provide such services to GomSpace in the next three months.

Financial models and/or methodology used in this research report

Investment views and opinions in this research report are formed on the basis of a combined selection of discounted cash flow analysis, industry knowledge, peer group analysis and company-specific and market technical elements (events affecting both the financial and operational profile of the company). Forecasting of company sales and earnings is based on segmented bottom-up models using subjective views of relevant future market developments. In addition, the expected macroeconomic environment is taken into account. The output is aggregated into models for group profit and loss, balance sheets and cash flow estimates – all taking into account the recent development in historical research reports.

More information about the valuation and/or methodology and the underlying assumptions is accessible via www.danskebank.com/equityresearch.

Risk warning

Major risks connected with investment views or opinions in this research report, including a sensitivity analysis of relevant assumptions, are stated throughout the text.

Expected updates

This research product will be updated on a semi-annual basis as a minimum.

Completion and first dissemination

The completion date and time in this research report mean the date and time when the author hands over the final version of the research report to Danske Bank's editing function for legal review and editing.

The date and time of first dissemination mean the date and estimated time of the first dissemination of this research report. The estimated time may deviate up to 15 minutes from the effective dissemination time due to technical limitations.

See the back page of this research report for the date and time of first dissemination.

Recommendation structure

This report does not have a target price or a buy/sell recommendation but it does include a valuation discussion and a suggested valuation range.

Not for US distribution

Validity time period

This communication as well as previous communications referred to below are valid until the earlier of (a) dissemination of a superseding communication by the author, or (b) significant changes in circumstances following its dissemination, including events relating to the market or the issuer, which can influence the price of the issuer or financial instrument.

General disclaimer

This commissioned research report has been prepared by Danske Bank A/S. It is provided for informational purposes only and should not be considered investment, legal or tax advice. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

This commissioned research report has been prepared independently and solely on the basis of publicly available information that Danske Bank A/S considers to be reliable but Danske Bank A/S has not independently verified the contents hereof. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation or warranty, express or implied, is made as to and no reliance should be placed on the fairness, accuracy, completeness or reasonableness of the information, opinions and projections contained in this commissioned research report and Danske Bank A/S, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this commissioned research report.

The opinions expressed herein are the opinions of the research analysts and reflect their opinion as of the date hereof. These opinions are subject to change and Danske Bank A/S does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this commissioned research report.

This commissioned research is not intended for, and may not be redistributed to, retail customers in the United Kingdom and may under no circumstances be distributed in the United States.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank A/S's prior written consent.

Disclaimer related to distribution in the United Kingdom

In the United Kingdom, this document is for distribution only to (I) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the 'Order'); (II) high net worth entities falling within article 49(2)(a) to (d) of the Order; or (III) persons who are an elective professional client or a per se professional client under Chapter 3 of the FCA Conduct of Business Sourcebook (all such persons together being referred to as 'Relevant Persons'). In the United Kingdom, this document is directed only at Relevant Persons, and other persons should not act or rely on this document or any of its contents.

Disclaimer related to distribution in the European Economic Area

This document is being distributed to and is directed only at persons in member states of the European Economic Area ('EEA') who are 'Qualified Investors' within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129) ('Qualified Investors'). Any person in the EEA who receives this document will be deemed to have represented and agreed that it is a Qualified Investor. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons in the EEA other than Qualified Investors or persons in the UK and member states (where equivalent legislation exists) for whom the investor has authority to make decisions on a wholly discretionary basis. Danske Bank A/S will rely on the truth and accuracy of the foregoing representations and agreements. Any person in the EEA who is not a Qualified Investor should not act or rely on this document or any of its contents.

Report completed: 26 October 2020 at 12:20 CET

Report disseminated: 26 October 2020 at 13:00 CET

Not for US distribution