



MDA Space stock lifts off on stronger-than-expected earnings and boost to 2024 forecast

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MDA Space Ltd. stock rose Thursday after the space equipment company reported better-than-expected second-quarter results and increased its guidance for the year.

The Brampton-based company reported revenue of \$242-million for the three months ended June 30, up 23 per cent over the same period a year earlier and above consensus analyst estimates of \$220.5-million. Adjusted operating earnings of \$48.7-million beat expectations, while earnings a share of nine cents were a penny higher than a year earlier.

MDA said its backlog of business had jumped by 39 per cent year-over year, to \$4.6-billion. That was boosted by [a \\$1-billion contract award](#) from the Canadian Space Agency to build the latest version of Canadarm.

The company also forecasted that it would generate revenue of \$1.02-billion to \$1.06-billion, up from its prior prediction of \$950-million to \$1.05-billion. It also bumped up the lower end of its operating earnings forecast range to \$200-million from \$190-million.

More significantly, said Canaccord Genuity Inc. analyst Doug Taylor, is that MDA also now expects to generate positive free cash flow in 2024, a year ahead of previous guidance. That “ticks a box a lot of investors were looking for with this story so we should see the investor base broaden out as a result of this new guidance,” he said in an e-mail.

MDA stock closed at \$13.57, up 12.4 per cent Thursday on the Toronto Stock Exchange.

MDA shares also jumped in late June on news of the Canadarm contract, which runs through March, 2030, although it was not a surprise. The company had won two smaller contracts to do early concept and preliminary design work for the robotic arm system known as Canadarm3. MDA and its predecessor Spar Aerospace Ltd. built the two

previous Canadarms used in NASA's space shuttles and International Space Station over the past 40 years.

The latest iteration of the robotic arm system – [a Canadian innovation](#) – will be used aboard the Gateway space station, a multinational undertaking that will orbit the moon and support human and robot missions to its surface as part of the Artemis program. Canadian astronaut Jeremy Hansen is slated to become the first non-American astronaut to fly to the moon when he participates in the [Artemis 2](#) flight scheduled for late 2025.

MDA's strong earnings and Canadarm deal are the latest in a string of wins as the company seeks to position itself as a key player in the latest space race. Space has become an increasingly commercialized sector featuring fleets of low-earth orbit satellites powering next-generation internet communications as well as space tourism that industry proponents hope will deliver steadier growth than in the past.

The sector "still has work to do to help the investment community understand that space is a sustainable sector," said Mike Greenley, chief executive officer of MDA said. "This is not a blip. This is more of a sure thing now. It's an execution story, but we're good at execution."

MDA Space supplies geo-intelligence from satellite imagery, autonomous robotics and vision sensors that operate in space, and systems and spacecraft to enable space-based services and broadband internet.

In recent years it has increasingly shifted from subcontracting to becoming a prime contractor and full mission provider. Last August, satellite operator Telesat Corp. awarded MDA a \$2.1-billion contract to design, build and test an entire constellation of at least 198 LEO satellites. That was an upgrade from the original plans for MDA Space to make phased array antennas for the project.

MDA was selected in 2022 by American satellite communications company Globalstar, Inc. to build 17 satellites that will provide service to Apple iPhone users. MDA's technology for the moon mission will serve as a foundation for a new line of robotics systems geared toward the commercial space market. That business is expected to grow as launch costs continue to drop.

The company, originally known as MacDonald, Dettwiler and Associates, went public in the spring of 2021, a year [after an investor group including John Risley, Jim Balsillie, Senvest Capital, Michael Andlauer's Bulldog Capital Partners and Fonds de solidarité FTQ bought the company from its U.S. parent Maxar Technologies Inc. for \\$1-billion](#) and repatriated it to Canada.

MDA set out as a public company with an ambitious plan to double revenue by 2022 from \$411.5-million in 2020 and reach \$1.5-billion in 2025. But it only generated \$641.2-million in revenue in 2022 owing to delays in expected contracts. Its stock has

been choppy, trading below its \$14-a-share issue price for most of the past three years, and at a discount to other aerospace and defence companies.

However, MDA has significantly outperformed other publicly traded space companies and achieving free cash flow “will open up a new world of opportunity for us,” Mr. Greenley said. “We can start to consider mergers and acquisitions, we can look at securing our supply chain, we can look at expanding our capacity.”

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