

# Mossberg's Investor Digest

## Best Idea Profile

## Astrotech Corporation (Nasdaq:ASTC)

### DESCRIPTION:

Headquartered in Austin, Texas; Astrotech Corporation prepares and sends satellites, cargo and science into space. Services include space hardware design, research, support services and payload processing. The company also has new business initiatives which pave the way for the commercialization of space by translating space-based technology into terrestrial applications. Astrotech operates in two business units. Astrotech Space Operations (ASO) is a commercial supplier of satellite launch processing services in the United States. The ASO unit also provides processing support to government and commercial customers for their complex communication, earth observation and deep space satellites. The other business is an incubator unit that commercializes space-industry technologies.

### KEY INVESTMENT CONSIDERATIONS:

**Mission Critical Services** – ASO provides its government and commercial customers with the services needed for a successful launch. These services include complex communication processing, earth observation and deep space satellites launch preparation. Processing activities include satellite ground transportation; pre-launch hardware integration, fueling, and launch pad delivery. ASO facilities can accommodate five meter-class satellites which make up the majority of U.S. based satellite preparation services. ASO offers engineering services that support the entire life cycle of a satellite. The company's services are "mission critical" as no space program or satellite launch can occur without them.

**Pioneering New Markets** – Astrotech's business incubator is pioneering the commercialization of space based technologies into new terrestrial markets. The incubator currently has three business initiatives including a mass spectrometer (universal chemical analyzer), microgravity biotechnology products and thermal resistant hazmat containers for the Airline industry. There are numerous potential markets and applications for these products.

**Turnaround Situation** – The company has experienced a strong turnaround. Astrotech had three years of losses but is has recently achieved profitability. In FY09, ASTC earned 29 cents per share on \$31.9 MM in revenues. During 2Q10 Astrotech reported revenue of \$8.08 million along with earnings per share of 9 cents. For the same quarter in FY09, ASTC had \$3.8 million in revenues and reported a 9 cent loss. ASTC currently has an 18 month backlog of business of \$27.2 million.

**Established Niche Franchise** - ASTC has successfully provided launch processing support for government and commercial customers for nearly 25 years and has participated in the launch of more than 270 spacecraft. ASTC's turn-key satellite services provide proven and trusted services to an industry that requires expertise in complex processes. Astrotech is a well-known and proven franchise.

**A Growing Industry** – Increased US commercialization of the space industry and growth in the satellite market should provide continued opportunity for the company's launch services.

**Thomas B. Pickens, III** was named CEO in Jan '07 and Chairman in February 2008. Mr. Pickens has a long and successful track record in the business community including that of Managing Partner and Founder of Tactic Advisors, Inc., a company specializing in corporate turnarounds on behalf of creditors and investors that have aggregated to over \$20 billion in value.

### VALUATION:

Now that ASTC has sustained a turnaround, multiples are likely to expand. Past losses and lack of attention from the investment community have left ASTC currently trading at 7x its TTM earnings of \$0.49. This type of valuation is rare for a company that is profitable and growing. Investors should note that ASTC more than doubled revenues in its MRQ on a year-over-year basis. A double digit multiple of earnings is justified and would yield 50% upside from current levels.

### (Nasdaq: ASTC)

Investment Data (as of 4/16/10)

<b>Recent Price</b>	<b>\$3.43</b>
52-Week Range	4.06 - 0.45
Fiscal Year End	June
Shares Outstanding	19MM
Average Trading Volume (3 mos)	316,573
Market Capitalization	65MM
Cash	7MM
Long Term Debt	N/A
Enterprise Value (EV)	58MM
LT Debt/ Equity	-
Tangible BV/ Share	3.00
TTM Revenue	\$38MM
P/ Revenue	1.8
TTM EPS	0.49
P/ EPS	7x
TTM EBITDA	10.9 MM
EV/ EBITDA	5.3x

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.