

# Mossberg's Investor Digest

## Best Idea Profile:

### DESCRIPTION:

Orbital Sciences is a leading developer and manufacturer of small and medium space systems for the commercial, national security and civil government markets. The more than 1,000 satellites and launch vehicles it has already delivered gives customers various capabilities including communications and broadcasting, scientific research, national security and deep space exploration. It is also participating in the emerging market for human space flight. Orbital's impressive customer list includes NASA, Department of Defense, and commercial and academic space programs.

Orbital employs 3,800 people, approximately half of whom are engineers and scientists. With headquarters in Dulles, Virginia, the company has been operating for three decades and has major operations in Virginia, Arizona, Maryland, and California, with additional operations internationally.

### KEY INVESTMENT CONSIDERATIONS:

**Space is Profitable** – Space is becoming the playground for an increasing number of commercial and private customers. Although Orbital is an established business in many of its markets, there is much upside growth in the future of commercial space transportation and resupply. Margins in the industry are tight but impressive considering the amount of research and capital required. Orbital's operating margin improved to 5.9% in 2011 and the company's goal is to improve margins by 50-75 basis points per year.

**Size and Quality of Backlog** – Orbital's backlog of \$5.2 billion (more than 3.5x the current revenue run rate) provides excellent visibility to near-term revenue growth. Orbital estimates its backlog covers approximately 65% of the total revenue it forecasts through 2014.

**Premier Customer Base** – Orbital's customers are the who's who in aerospace. One-third of revenue comes from Department of Defense and Intelligence Agencies, a third from NASA and other civilian agencies and universities and a little less from commercial and international satellite operators. Just this week Orbital's rocket successfully launched a company-built satellite for NASA to "advance understanding of the origins and destinies of stars and galaxies."

## Orbital Sciences Corporation(NYSE: ORB)

**Logical Growth** – Each of the company's business segments—launch vehicles, satellite and space systems, and advanced space programs—represent about a third of projected 2012 revenues. Orbital expects each of its complementary business segments to grow and benefit from expansion into closely adjacent areas. It will focus on growing niches not well served by larger aerospace companies and that can benefit from execution of fast schedules at affordable prices.

### VALUATION:

Orbital is a rare pure play on aerospace as 100% of its revenues are from this industry. Management predicts compound annual revenue growth of 7-9% over the next three years, with EPS growth of 10-15% annually. Orbital has a relatively conservative balance sheet with strong liquidity.

#### Orbital Sciences Corporation (NYSE: ORB) Investment Data (as of 6/14/12)

Recent Price	\$12.22
52-Week Range	\$18.48 - \$10.59
Fiscal Year End	December
Dividend	NA
Yield	NA
Shares Outstanding	59 M
Average Trading Volume (3 mos)	358 K
Market Capitalization	\$721 M
Cash	\$227 M
Long Term Debt	\$133 M
Enterprise Value (EV)	\$614 M
Book Value/share	\$11.17
TTM Revenue	\$1.4 B
P/ Sales	0.5x
TTM EPS	\$1.14
P/ EPS	10.5x
TTM EBITDA	\$127 M
EV/ EBITDA	4.8x