

Analyst Robert Cheek

02-3787-2261 r.cheek@hmsec.com

International Stock Market Weekly

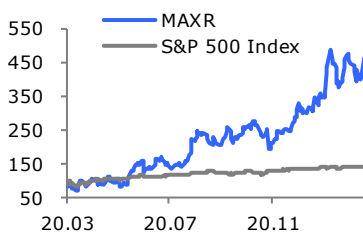
Aerospace/ Defense/ Small cap value

Maxar Technologies (MAXR.US)

This week's top pick is a space play with innovations that are critical in the new space race and will be instrumental in the next phase of developing space but has the added benefit of generating meaningful revenues today and has a solid business structure. NASA's Perseverance rover is now exploring the surface of Mars and it is doing it with the help of Maxar Technologies (NYSE: MAXR) robotic arms. While the company is at the cutting edge when it comes to the creation of many of the new technologies for space capabilities, it is nevertheless an experienced hand when it comes to building today's space-based systems and has been deploying satellite technology since 1969. It has been making robotic arms since the Apollo era and builds them for commercial customers as well. Indeed, all five robotic arms working on the surface of Mars are built by Maxar. Accordingly, we recommend Maxar to those looking to invest in the new space race as the company offers investors exposure to this exciting high growth sector with relatively lower risk.

Bloomberg TP	USD 52.31		
Current Price(03/11)	USD 47.01		
Industry	Aerospace		
S&P500 (03/11)	3,939.3		
Market Cap.(USDmn)	2,882.9		
Outstanding Shares(mn)	61		
52week Range	58.75/7.18		
Average Daily Trading Volume(3M)	1,444,564		
Increase Rate	1M	3M	6M
Absolute Price(%)	-6.5	27.1	105.3
Relative Price(%p)	-6.6	18.2	74.1

Company Stock Price vs. Index



Source: Bloomberg, Hyundai Motor Securities

Maxar Technologies is a space technology company headquartered in Westminster, Colorado. The company provides solutions in Earth intelligence and space infrastructure, which are its two reportable segments. The company delivers value to commercial and government customers to give them the ability to monitor, understand and navigate the changing planet, delivery global broadband communications, and explore and advance the use of space.

Consensus and Valuation

	Revenue (USDmn)	EBIT (USDmn)	Net Income (USDmn)	EBITDA (USDmn)	EPS (USD)	YoY (%)	P/E (X)	P/B (X)	EV/EBITDA (X)	ROE (%)	Dividend Rate (%)
FY 2019 (19.12.31)	1,666	295	109	698	1.83	N/A	N/A	1.23	5.79	15.28	0.26
FY 2020 (20.12.31)	1,723	2	303	397	4.99	N/A	822.48	2.53	12.48	35.73	0.10
FY 2021F (21.12.31)	1,850	148	4	448	0.44	-92.55	106.12	3.00	11.80	-1.46	0.09
FY 2022F (22.12.31)	1,983	237	73	520	1.17	163.21	40.32	2.81	10.15	6.04	0.09

Source: Bloomberg, Hyundai Motor Securities

Stock pick for the second week of March

Maxar Technologies. (NYSE: MAXR)

A new era of technological innovation and opportunity has begun with the new space race

Space, the final frontier

Something big is happening in space. There is a slew of new trends in play that are now driving the rapid evolution of space activities. Some commercial developments in space include space tourism, space access, and the increasing use of small (nan0) satellites. These emerging markets and more have attracted entrepreneurs, startups, and deep-pocketed major legacy players. The revolution, like so many of the late 20th and 21st century, emerged from Silicon Valley and has since spread globally. Startups have been attracting massive amounts of investment, and this continues to snowball with no signs of abating. But will the startups disrupt the established players as the latter sharpen their foci and concentrate their resources to ensure relevance in this new market? This remains to be seen as the space industry is still in its infancy. Nevertheless, we believe the size of the company plays a smaller role in success than does the agility, ability to manage risks and cooperate, mindset, and vision. Indeed, space-related stocks have become the new darling for growth-seeking investors in search of the next big thing. While there are currently a handful of listed space companies in which investors can invest, the selection is starting to grow. At present, the majority of names are focused on satellite and related systems, materials, and aeronautics. Some of the names with star quality include Amazon (NASDAQ: AMZN) Founder Jeff Bezos's Blue Horizons, Elon Musk's SpaceX, and Richard Branson's Virgin Galactic (NYSE: SPCE). Other names of interest include GomSpace, a Swedish company that builds nanosatellites and California-based legacy rocket manufacturer Aerojet Rocketdyne (AJRD.US). And the SPAC frenzy has spread to the new space race as well with several companies taking this path to stock market listing. The companies of note include Stable Road Capital (SRAC.US) and the "last-mile delivery" service for spacecraft, Momentus (MNTS.US), Rocket Lab (RKL.B.US), Spire Global (SPIR.US), BlackSky (BKSY.US), and San Francisco-based Astra Space.

The new space race differs from the one between the US and USSR of the 60s in that it is not between two countries and the battle between capitalism and communism. Rather, the conversation today is about more about economic opportunities, such as the ability to make products in microgravity or mine the Moon or asteroids. And American companies are leading the way with tech titans committing their immense resources and capabilities to realizing the long-promised dream of transforming the human race into a space-faring species. The spirit of space exploration of the 60s is back thanks to the visionary efforts of visionaries like Elon Musk and Jeff Bezos. Indeed, for some time space had been relegated to the ho-hum realm of boring low-Earth orbit (LEO) satellite launches for such uninspiring reasons such as extending the reach of our mobile phones or to provide viewers with more television capabilities. The long-promised dream of space exploration and colonization is finally within reach and there is now sufficient momentum to attain escape velocity. For those with the temerity to stay the course, the rewards should be unlike anything we have ever seen in history.

The key difference between this space race and the last one has much to do with the massive advancements in technology over the past couple of decades in the areas of robotics, materials science, AI, IT, energy, and more. People have been making comparisons between the first iPhone and how much computing power it had compared to the systems used by the first human missions to the Moon. And because of the burgeoning interest by others to establish a presence on the Moon, we see the US racing back and pushing to land humans on Mars. Indeed, Mars mission efforts by the People's Republic of China, and India, the latter which built a Mars orbiter for less than the cost to produce the movie *The Martian*, are signs of the tremendous interest in space across the world. Despite many attempts by the Chinese, Russians, and EU to land on Mars, only the US has been able to successfully deploy robots on the red planet, which it has been doing since 1976, demonstrating the tremendous technical challenges which interplanetary missions entail.

While there are some who call Virgin Galactic the 'Tesla of Space', however we are inclined to disagree on this view. Rather, as the new space race is driven by the commercialization, colonization, and exploration of space, we believe that LEO space tourism, while undoubtedly fascinating, is simply unsustainable as a business. When space tourism does become viable it will be through journeys to the Moon or to Mars and likely be carried out by companies working with Space X or Blue Origin, or another company that is more focused on interplanetary capabilities. One need only to look at the history of the aircraft and the tourist industry as a basic model for how space tourism might evolve. While the public did enjoy going for flight simply for flying, it was not this niche market that fueled the growth of that industry. Rather it was logistics, long-distance travel, and warfare that ultimately drove the development of the technologies and industry, which led to the disruption of rail and ocean transport, and led to a period of long-term sustained growth and development of the industry. Because of this, while we remain enthusiastic about the barriers that Virgin is breaking, we think there are better areas for investors to generate meaningful and sustainable returns.

Rationale

This week's top pick is a space play with innovations that play a critical role in the new space race and will be instrumental in the next phase of developing space, yet has the added benefit of generating meaningful revenues today and has a solid business structure. Maxar is an experienced hand in building space-based systems and has been deploying satellite technology since 1969. It has been making robotic arms since the Apollo era and builds them for commercial customers as well. Indeed, all five robotic arms working on the surface of Mars are built by Maxar. Accordingly, we believe the company offers investors exposure to this exciting high growth sector with lower risk.

Maxar is the company behind the robot arms used on the NASA Perseverance, which is being used to explore Mars at a level never seen before (and also to take selfies of the rover). The company specializes in communication and satellite technologies but has a very advanced robotics program. As the company is a major player in the satellite business, there is a level of familiarity with the company that enables

governments to feel comfortable doing business with them and so it has a solid track record of creating lasting businesses. The company's capabilities include space-grade hardware, satellite buses, robotics, and components, space-based intelligence solutions, and ground and analytics solutions.

In 2020, the company performed very well despite the challenges of the COVID-19 pandemic, generating solid YoY revenue and adjusted EBITDA growth. In addition, it managed to build strong backlog growth and closed its MDA divestiture, reducing debt. The strategic acquisition of Vricon enhanced its 3d capabilities, which serves intelligence and defense communities as well as telecommunications companies. For 2021, the company is investing to accelerate sensor-to-decision timeline capabilities as well in enabling technologies and capabilities for space infrastructure.

Indeed, even with the moonshot opportunities that Maxar offers, they are grounded on solid fundamentals and a wide customer base. Maxar raised its 2023 adjusted EBITDA target by USD40mn to USD580mn, on a higher EBITDA contribution from Earth Intelligence. Also notable is the USD123mn 2023 FCF target raise to USD325mn, 75.7% above consensus with management anticipating stronger earnings growth and interest savings of USD70mn. The guide assumes around USD100mn in capex and no additional build of WorldView Legion satellites in 2023.

Watch this space

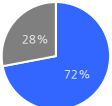
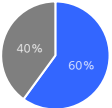
The space race is growing more crowded with startups and legacy players vying for their share

Space startups have been attracting massive amounts of investment, which continues to snowball. But will the startups disrupt the established players as the latter sharpen their foci and resources? This remains to be seen as it is too early to ascertain the business ecosystem. Nevertheless, we believe the size of the company play a smaller role in success than does the agility, ability to manage risks and cooperate, mindset, and vision. Indeed, space-related stocks have become the new darling for growth-seeking investors in search of the next big thing. While there are currently a handful of companies listed in which investors can invest. At present, the majority of names are focused on satellite and related systems, materials, and aeronautics. Some of the names with a star quality include Blue Horizons from Amazon (NASDAQ: AMZN) Founder Jeff Bezos's Blue Origin, Elon Musk's SpaceX, and Richard Branson's Virgin Galactic (NYSE: SPCE). Other names of interest include GomSpace, a Swedish company that builds nanosatellites and rocket manufacturer Aerojet Rocketdyne Holdings (AJRD.US). And the SPAC frenzy has not spared the space race either with several companies going public via SPACS. The companies of note include Stable Road Capital (SRAC.US) and the "last-mile delivery" service for spacecraft Momentus (MNTS.US), Rocket Lab (NASDAQ: RKLB), Spire Global (SPIR.US), BlackSky (NYSE: BKSJ), and San Francisco-based Astra Space.

And it is this tremendous focus of resources and energy which is driving the new space race. There are many opportunities for investors to participate with established players and emerging startups which will soon go public. Among the likely listed winners from the new space race are Going forward, we will also be recommending some names for preferred fuel providers and key components Maxar Technologies, Aerojet Rocketdyne Holdings, Northrop Grumman (NOC.US), Raytheon (RTX.US), Boeing

(NYSE: BA), AeroVironment (AVAV.US), Arconic Corporation, Momenta, Astra Space, and Heico that are critical to space business endeavors.

Fig 1. Gov't and commercial customers in 70+ countries

Segment	Scale and Profitability (Rev/Adj. EBITDA Margin)	Customer Mix
Earth Intelligence	\$1,081mn/47.5%	<ul style="list-style-type: none"> US Federal Gov't and Agencies Commercial and Other 
Space Infrastructure	\$721mn/(0.4)%	<ul style="list-style-type: none"> US Federal Gov't and Agencies Commercial and Other 

Source: Maxar Technologies, Hyundai Motor Securities

Fig 2. Space taxonomy with five categories



Source: Denis, et al, Hyundai Motor Securities

Fig 3. Selection of government customers



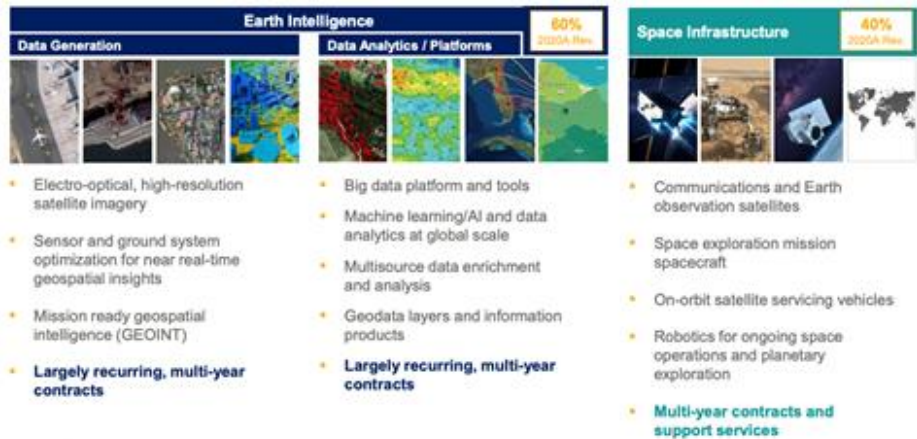
Source: Maxar Technologies, Hyundai Motor Securities

Fig 4. Selection of commercial customers



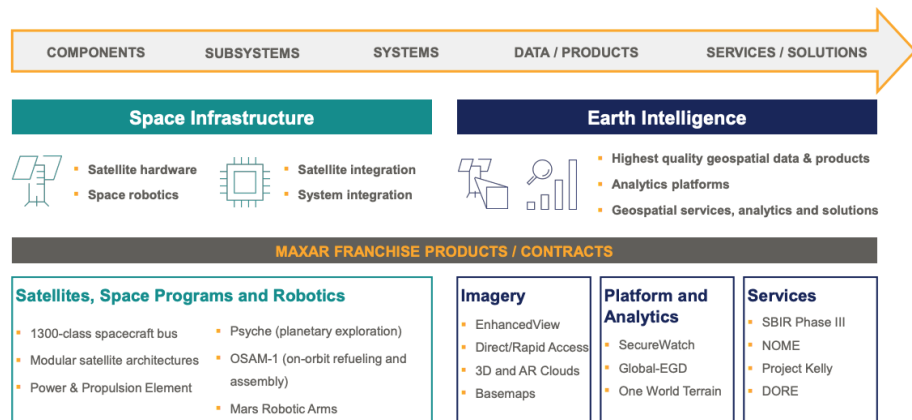
Source: Maxar Technologies, Hyundai Motor Securities

Fig 5. Data Generation, Analytics/ Platforms and Space Infrastructure



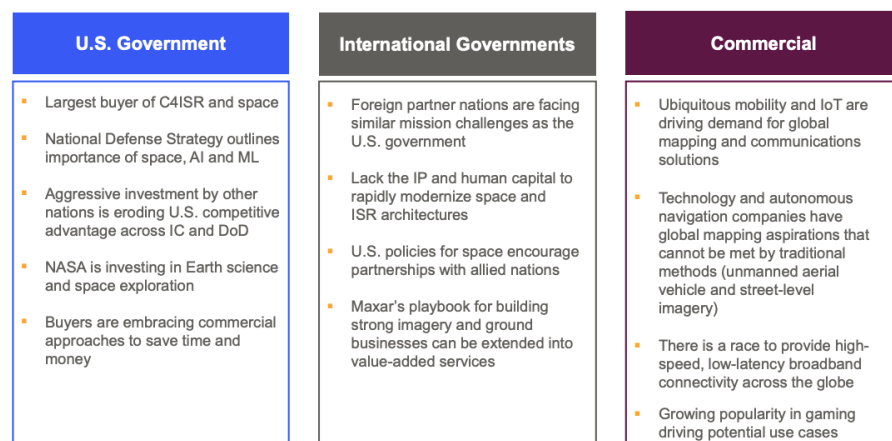
Source: Maxar Technologies, Hyundai Motor Securities

Fig 6. Integrated solutions across the customer value chain



Source: Maxar Technologies, Hyundai Motor Securities

Fig 7. Well positioned to support customers



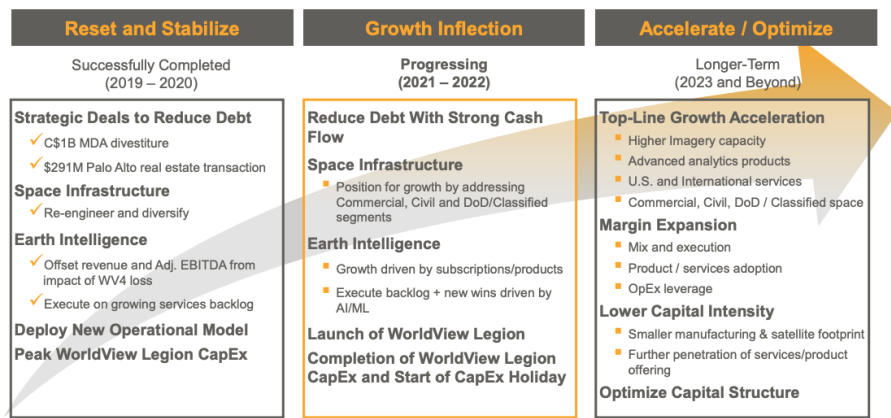
Source: Maxar Technologies, Hyundai Motor Securities

The bottom line

The rapid growth of a new space race is reminiscent of the 60s, however this time there will be far greater technological advancements with more players, public and private. The second phase of the National Security Space Launch by the US establishes the primary goal of maintaining national superiority in the space industry as a counter to the threat posed by China. The EU is also returning to the race as it views the game as another opportunity to become a global player. And there are others such as the UAE, which along with China, have launched Mars probes in the wake of the latest successful US landing on Mars with NASA's Perseverance Rover. SpaceX and Blue Origin have different objectives in space with the former planning to colonize Mars and the former creating free-forming colonies around the Moon. Companies such as Astrobotic Technology and Intuitive Machines are working with NASA to launch commercial landers. Russia plans to return to the moon with its Luna 25 lander while India makes another attempt to deploy a robotic lander with its Chandrayaan-3.

While there is an ever-growing number of space-related investment opportunities becoming available, many will share the fate of ‘innovative’ companies in the dot.com era, leaving investors grounded while companies with the right mix of technology, vision, ability to cooperate, and solid business model will skyrocket. And we believe Maxar shares will eventually blast off thanks to its focus on building space-based systems, robotics, and wide range of commercial and government customers. In short, it offers investors exposure to this exciting high growth sector with lower risk.

Fig 8. Positioned for growth



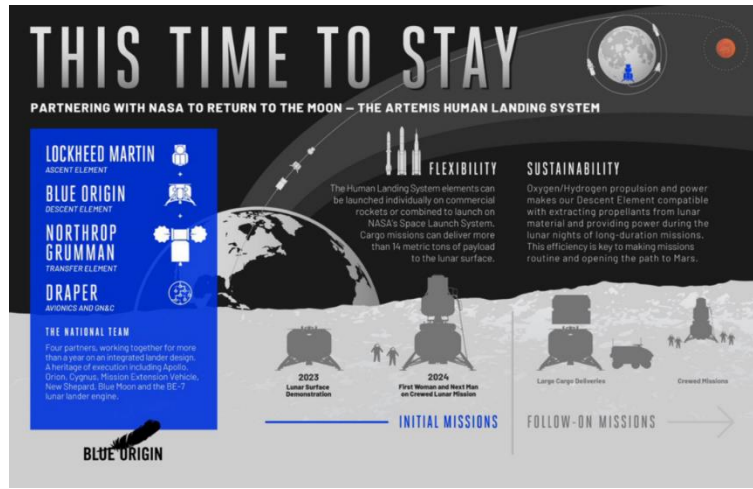
Source: Maxar Technologies, Hyundai Motor Securities

Fig 9. Maxar Technology is at the nexus of the new space economy



Source: Maxar Technologies, Hyundai Motor Securities

Fig 10. US national team to establish permanent presence on the moon



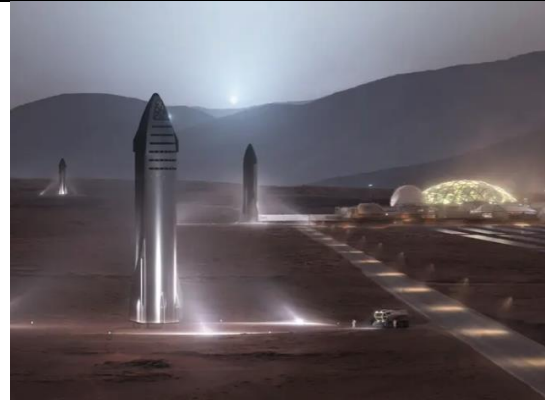
Source: Blue Origin, Hyundai Motor Securities

Fig 11. Maxar robotic arms help us explore Mars



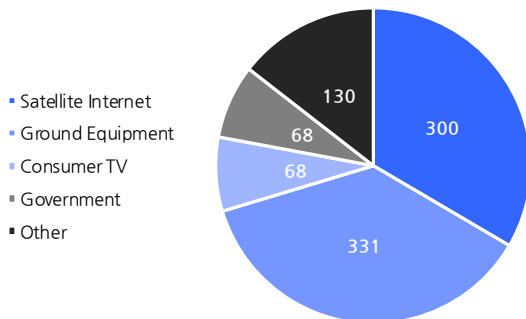
Source: NASA, Hyundai Motor Securities

Fig 12. SpaceX's planned Mars city launchpads



Source: SpaceX, Hyundai Motor Securities

Fig 13. Space economy to grow threefold by 2040



Source: Satellite Industry Association, UBS, Hyundai Motor Securities

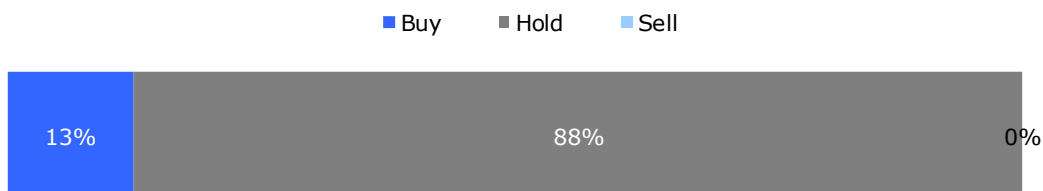
Fig 14. Maxar's power and propulsion element concept



Source: NASA, Hyundai Motor Securities

Foreign Institution Recommendation

Consensus position on Maxar



Source: Bloomberg, Hyundai Motor Securities

Analyst Recommendations

Institution	Recommendation	Scale of 5	Target Price (USD)	Published Date
ISS-EVA	sell	1	-	2021-02-27
Credit Suisse	neutral	3	56	2021-02-25
Raymond James	market perform	3	50	2021-02-25
TD Securities	hold	3	52	2021-02-25
National Bank Financial	sector perform	3	52	2021-02-25
BMO Capital Markets	market perform	3	50	2021-02-24
CIBC Capital Markets	neutral	3	49	2021-02-24
Canaccord Genuity	buy	5	55	2021-02-24
J.P. Morgan	neutral	3	55	2021-02-16

Source: Bloomberg, Hyundai Motor Securities

Fig 15. Maxar's Stock Price



Source: Bloomberg, Hyundai Motor Securities

COMPANY NOTE OVERSEAS

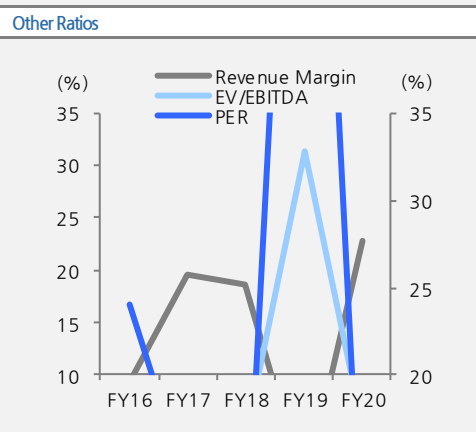
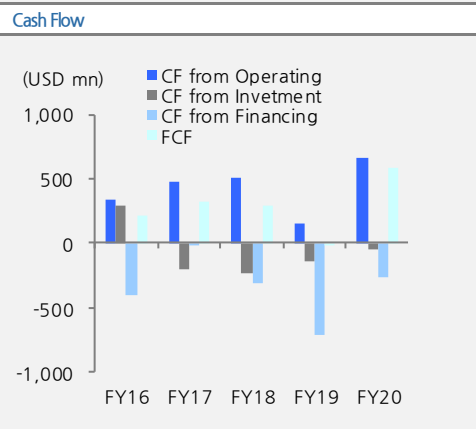
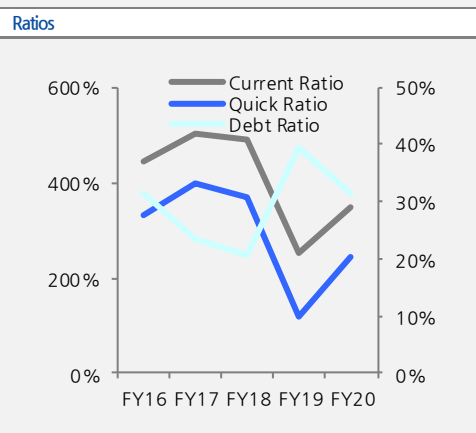
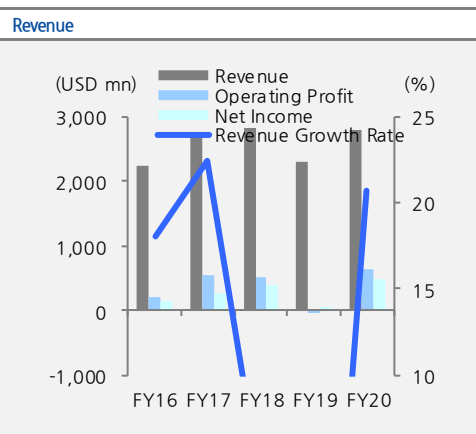
Income Statement					
(USD mn)	FY16	FY17	FY18	FY19	FY20
Revenue	2,233	2,734	2,828	2,310	2,788
COGS	1,829	1,998	2,084	2,007	1,920
Gross Profit	404	736	744	303	868
SG&A	185	191	209	227	208
R&D Expense	—	0	—	0	0
Other Operating Expense	9	12	9	93	20
Operating Profit	210	533	526	-20	637
Non-operating loss	45	23	2	3	16
Income Before Tax	165	510	524	-23	621
Tax Expense	20	119	122	-13	125
Net Income	150	282	391	50	496
Net Income to Common SH.	150	390	395	-5	499
EPS	1.04	2.7	2.76	-0.04	4.48

Balance Sheet					
(USD mn)	FY16	FY17	FY18	FY19	FY20
Total Asset	2,031	2,449	2,514	1,835	2,087
Cash & Equivalent	659	928	878	181	535
Accounts Receivable	96	147	87	111	161
Inventory	235	259	273	265	259
Tangible Asset	883	982	1,073	1,072	1,010
Intangible Asset	57	71	67	90	46
Total Liability	836	844	814	834	843
Current Liability	229	270	262	244	286
Long-term Debt	607	574	552	590	557
Total Equity	1,196	1,605	1,700	1,001	1,244
Equity Capital	144	145	137	112	106
Capital Surplus	478	471	458	454	452
Retained Earnings(Loss)	890	1,280	1,613	966	1,206

CashFlow Statement					
(USD mn)	FY16	FY17	FY18	FY19	FY20
CF from Operating Activities	342	474	511	159	659
Depreciation & Amortization	113	123	120	123	111
Changes in NWC	48	-57	10	-60	15
CF from Investment Activities	285	-199	-238	-137	-49
Capital Expenditure	-125	-145	-213	-163	-77
Long-term Investment	0	0	0	0	0
M&A	0	-21	0	30	0
CF from Financing Activities	-407	-9	-317	-717	-272
Cash Dividend Payout	0	0	-74	-65	-65
Long-term Borrowing	-393	-3	-25	-5	0
Stock Repurchase	0	0	-212	-638	-200
Cash Increase	224	269	-50	-697	340
FCF	218	325	296	-4	582

Key Ratios					
(%, X)	FY16	FY17	FY18	FY19	FY20
Gross Margin	9.41	19.49	18.60	-0.87	22.85
EBITDA Margin	14.46	24.00	22.85	4.89	27.26
ROE	13.54	27.84	23.88	-0.37	44.85
ROA	7.12	17.40	15.90	-0.23	25.45
ROIC	11.22	22.91	19.50	-0.26	31.99
Debt Ratio	31.53	23.43	20.70	39.56	31.44
Current Ratio	4.44	5.03	4.92	2.54	3.47
Quick Ratio	3.30	3.98	3.69	1.20	2.43
CF/Current Liability	2.88	3.44	3.36	0.74	1.87
PER	24.06	13.65	8.22	72.79	8.38
PBR	2.28	2.37	1.79	3.35	3.20
EV/EBITDA	7.57	4.96	3.89	31.35	5.02
Dividend Yield(T12M)	—	—	2.34	1.82	1.56

Source: Bloomberg, Hyundai Motors Securities



Compliance note

- The author(s) of this report does (do) not have any interests in the company (ies) covered herein.
 - Hyundai Motor Securities has not disclosed the material contained in this report to any institutional investor or third party prior to its publication.
 - The author(s) of this report does (do) not own more than 1% of the shares of the company (ies) covered in this report.
 - The company covered herein is an affiliate of Hyundai Motor Securities
 - This report accurately reflects the author Robert Cheek's professional views and was written without any undue external influence or interference.
-

Investment rating

Hyundai Motor Securities offers three sector investment ratings based on six-month forward fundamentals and share price outlook.

- OVERWEIGHT: Sector-wide fundamentals and share prices are expected to turn up.
 - NEUTRAL: No meaningful fundamental improvement is expected.
 - UNDERWEIGHT: Sector-wide fundamentals and share prices are expected to turn down.
-

Hyundai Motor Securities offers three company investment ratings based on the relative return expected in the following six months, based on the closing price on the date of rating declaration.

- BUY: Excess return of +15%p or more
 - MARKETPERFORM (M.PERFORM): Excess return of between -15%p and +15%p
 - SELL: Excess return of -15%p or less
-

Stock ratings distribution (January 1-December 31, 2020)

Rating	Count	% of rating category
BUY	145	89%
MARKETPERFORM	18	11%
SELL	0	0%

- This report has been prepared for informational purposes only and thus may not be reproduced or distributed without the prior written consent of Hyundai Motor Securities.
 - The information and statistical data contained herein were taken from sources believed to be reliable but in no way can be guaranteed and, therefore, final investment decisions should be made based on each client's own judgment.
 - This report cannot be used as evidence in any legal disputes related to the client's investment decisions.
-