



## Is Macdonald Dettwiler & Associates Ltd. Still a Buy After Friday's 8.4% Rally?

### Description

**Macdonald Dettwiler & Associates Ltd.** ([TSX:MDA](#)), a global communications, surveillance, and intelligence company, announced its second-quarter earnings results after the market closed on Thursday, and its stock responded by soaring 8.4% on Friday. Let's take a closer look at the results and the fundamentals of its stock to determine if we should consider buying into this rally or wait for it to subside.

### The results that ignited the rally

Here's a quick breakdown of 10 of the most notable statistics from MDA's three-month period ended on June 30, 2017, compared with the same period in 2016:

Metric	Q2 2017	Q2 2016	Change
Communications revenues	\$332.4 million	\$361.4 million	(8%)
Surveillance & Intelligence revenues	\$171.3 million	\$141.2 million	21.3%
Total revenues	\$503.7 million	\$502.5 million	0.2%
Operating EBITDA	\$94.3 million	\$96.4 million	(2.2%)
Operating earnings	\$47 million	\$57.2 million	(17.8%)
Operating earnings per share (EPS)	\$1.29	\$1.57	(17.8%)
Net earnings	\$25.8 million	\$25.3 million	2%
Net EPS diluted	\$0.70	\$0.69	1.4%
Order backlog	\$2.0 billion	\$2.0 billion	unchanged
Cash provided by operating activities	\$34 million	\$79.98 million	(57.4%)

### What should you do now?

The second quarter was decent at best for MDA, but the results beat the consensus estimates of analysts polled by **Thomson Reuters**, which called for operating EPS of \$1.25 on revenue of \$476.69 million. The company's stock had been down about 5% year to date before the earnings release, so I

think the rally was ignited by the fact that it beat analysts' expectations. That being said, I think the stock represents an attractive long-term investment opportunity for three reasons.

First, it trades at very attractive valuations. Even after the 8.4% rally, MDA's stock trades at just 13 times fiscal 2017's estimated operating EPS of \$5.30 and a mere 11.7 times fiscal 2018's estimated operating EPS of \$5.89, both of which I think are very inexpensive given it's long-term growth potential.

Second, its acquisition of **DigitalGlobe Inc.** will fuel future growth. In February, MDA announced its acquisition of DigitalGlobe, one of the world's leading providers of high-resolution Earth-imagery products and services. This transaction is expected to close before the end of the third quarter and be accretive to its operating EPS beginning in 2018.

Third, it has a good dividend. MDA pays a quarterly dividend of \$0.37 per share, equal to \$1.48 per share annually, which gives it a solid 2.15% yield. It's also worth noting that the company raised its dividend by 13.8% back in fiscal 2015, and I think it could announce another slight increase following the completion of its acquisition of DigitalGlobe.

With all of the information provided above in mind, I think Foolish investors should consider beginning to scale in to long-term positions in MDA over the next couple of trading sessions.

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