



Dear Elon: Canada's Answer to SpaceX Went Public Today!

Description

Elon Musk's SpaceX has captured so much media attention that it's easy to forget that this industry is much larger than any single company. Over the next decades, companies from across the world are likely to throw their hats into the spacetechnology ring.

Meanwhile, demand from government agencies and corporations could push this nascent sector's annual revenues beyond \$1 trillion in the foreseeable future. For growth-seeking investors like me, this sector is tremendously exciting. Even more exciting is the fact that a Canadian spacetechnology giant has completed its initial public offering this week.

Here's a closer look at Canada's latest [pure-play spacetechnology stock](#): **MDA Ltd.** ([TSX:MDA](#)).

MDA's legacy

Launched in 1969 and formerly known as MacDonald, Dettwiler and Associates, MDA Ltd. is one of the oldest and largest spacetechnology firms around. The team has previously worked with NASA and the Canadian Space Agency (CSA) on several iconic space missions.

Canadarm, a series of robotic arms that were used on the Space Shuttle orbiters to deploy, manoeuvre, and capture payloads, is the company's most well-known project. Last year, it won another milestone contract to develop and construct the Canadarm3 as part of Canada's contribution to the NASA-led Lunar Gateway Program.

Put simply, this is an established player in a nascent sector that's poised for lift-off (pun intended).

Outlook for future growth

Creating and deploying space infrastructure is a capital-intensive and competitive field. The United States government is still the largest client in this nascent sector. However, established players with the right talent and resources tend to win the largest contracts. SpaceX has made tremendous progress in recent years with its reusable rockets.

As Elon Musk's team continues to lower the costs of space entry, the need for adjacent services and infrastructure could expand. Put simply, demand for MDA's robotics and geointelligence could surge as launching satellites becomes cheaper and less risky over time.

The company's public listing today adds \$500 million to its balance sheet. This cash could help the team develop newer technologies or acquire startups to enhance its product offerings. Cash flows from existing contracts should further embolden the team to make megadeals and reinvest in cutting-edge technologies.

MDA stock is currently trading at \$14.5, mildly above its Initial Public Offering (IPO) price of \$14. That places its fully-diluted valuation at \$1.8 billion. Meanwhile, SpaceX's latest valuation is US\$74 billion or C\$93 billion. In other words, spacetech is starting to look like a mature industry with plenty of room for stratospheric value creation. If you're looking to get in early, you should certainly consider adding this to your watch list.

Bottom line

Investors tend to overlook Canadian tech stocks until it's too late. While Elon Musk's SpaceX and Jeff Bezos' Blue Origin suck up all the oxygen, MDA Ltd. is an established player. The company already has 2,000 employees and existing customer relationships with the largest government agencies and corporations in the world.

If you're looking for exposure to this multitrillion-dollar industry, MDA should certainly be on your list.

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