



MDA Stock Price Continues to Sink: Will it Recover?

Description

While the broader markets are trading close to record highs, there are several stocks trailing the indexes this year. One such company is **MDA** ([TSX:MDA](#)), which develops and manufactures space technology systems. MDA stock went public in April 2021 and has since lost 20% in [market cap](#), valuing the company at \$1.4 billion.

Does this pullback provide investors an opportunity to buy the dip, or will MDA's stock price decline further in 2022?

MDA sales are forecast to touch \$485 million in 2021

MDA offers geo-intelligence solutions that provide satellite-generate imagery as well as analytic services to deliver insights in verticals such as national security and climate change monitoring. The company offers robotics and space operations by providing autonomous robotics and vision sensors that operate in space, enabling exploration capabilities.

Further, MDA also provides satellite systems and spacecraft to enable space-based services that include broadband connectivity from low earth orbit satellite constellations. MDA serves space companies as well as government agencies all over the world.

Analysts tracking MDA forecast the company to increase sales from \$411.5 million in 2020 to \$485 million in 2021 and \$758 million in 2021. The company reported a net loss of \$36.2 million last year but is expected to report breakeven profit margins in 2021. Further, its adjusted earnings per share are forecast at \$0.21 in 2022.

We can see that MDA stock is valued at a forward price-to-2022-sales multiple of less than two and a price-to-earnings multiple of 55, which is reasonable given its growth estimates.

Recent quarterly results

MDA went public earlier this year, raising \$400 million in its initial public offering. Its shares were priced at \$14 [during the IPO](#) and are currently trading at \$11.70, as the company failed to meet earnings estimates in two of the last three quarters.

In Q3 of 2021, MDA reported revenue of \$111.3 million compared to \$98.4 million in the year-ago period. Its gross profits rose to \$39.4 million from \$30.5 million in this period. The company also reported an operating profit of \$600,000 in Q3 compared to a loss of \$2 million in the year-ago period.

Its gross margin rose to 35.4% in Q3, up from 31% in the year-ago period. This allowed it to report an operating income of \$16.5 million in the first three quarters of 2021 compared to a loss of \$1.7 million in the same period last year.

MDA attributed the revenue growth to an increase in volume in its Satellite Systems as well as the ramp-up of the Canadarm3 program. Its gross profit improvement was on the back of increased profitable volume and improved program performance.

MDA's CEO Mike Greenley [stated](#), "In the third quarter MDA delivered another strong performance highlighted by solid adjusted EBITDA, growth in backlog and double-digit revenue expansion on a year-over-year basis. Operationally, the company continued to execute with significant progress and developments on all three of our flagship programs. With solid financials, operational momentum and growing backlog and demand in Q4 and heading into 2022, we remain focused on delivering long-term growth and shareholder value."

The Foolish takeaway

MDA stock provides an enticing growth opportunity for investors especially if it can beat Bay Street estimates in the upcoming quarters. Analysts tracking the stock have a 12-month average price target of \$19, which is 80% above its current trading price.

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