

Orbital Sciences Corp. — not for the faint-hearted

While it crashed with the tech stocks, it still covers most bases in space aeronautics and continues to show promise

By Sunil Vidyarthi

I am no fan of the “buy and hold” strategy. Among all the reasons I can give you, the most significant is the speed with which corporate fortunes change these days. Even more than operating results, investor perception is fragile and takes a long time to repair.

Successfully betting on a company, any company having the where-with-all to ride the ups and downs and still deliver results for you, even over a long-term period like a decade, is remote. Check for yourself yesterday's stars like GE, Microsoft, Berkshire Hathaway and Wal-Mart.

I am, however, an ardent fan of technology, for I know it is about the only way the North American advantage and lifestyle can be maintained in light of severe competition from over five billion souls looking to have even a semblance of this lifestyle.

The genie is out of the bottle, thanks to globalization. The dream is no longer just American, but a global obsession to live well.



Sunil Vidyarthi

Technology is the only edge we have, because, unlike in the days of Descartes or even Marie Curie, discoveries require much more than a blank piece of paper or a kitchen-like laboratory.

In technology, big money is required to make big discoveries. And among big-money techs, space and aeronautics rank pretty high, if not at the top.

Space science prospects are enormous from as esoteric an application as the base camp on the moon to satellite radios and interactive maps in your car. Truly, this is just the beginning and maybe Captain Kirk's final frontier.

Conglomeration and government budget ups and downs have left only a few large-cap stocks, like Lockheed Martin, Northrop Grumman and Boeing, which have already done too well to give us that undervalued edge. My model doesn't recommend an outright sale of these big ones but finds little value in the near future.

On the other hand a small cap like **Orbital Sciences Corp.** (ORB,

NYSE, \$12.88, 703-406-5000, www.orbital.com) does appear to hold some promise.

ORB covers nearly all the bases in space. It engages in the design, development, manufacture, and operation of small rockets and space systems for the U.S. department of defence and other U.S. government agencies, as well as commercial and scientific customers.

The company operates in three segments. The launch-vehicles segment develops and produces interceptor launch vehicles, suborbital launch vehicles, and space launch vehicles and designs and demonstrates launch-vehicle technologies for advanced space and suborbital programs.

The satellites and related-space-systems segment designs and manufactures spacecraft, including low earth-orbit and geosynchronous earth-orbit satellites, and spacecraft for communications, remote sensing, scientific, military, and technology demonstration missions.

This division also designs and manufactures various other advanced space systems, including satellite command and data handling, attitude control, and structural subsystems for various government and commercial customers. In addition, it provides a range of space-related technical services, including specialized space-related analytical, engineering, and production services for the U.S. government agencies.

The transportation-management segment develops and produces fleet-management systems that are used primarily by metropolitan mass-transit oper-

ators in the United States.

Things have not been easy for Orbital Sciences over the last decade. The stock was trading in the \$20 range back in 1995 compared to \$12-\$13 range today. Now you see why I shy away from “buy and hold,” even for what must have seemed like a sure bet back then. And it was for a while, as the stock rode the tech boom to near \$50 from 1998 to 99. It followed the market collapse to a price of under \$5 in 2001.

This is not a stock for the faint-hearted, but then I think buying stocks is not for the faint-hearted. Much of the problem in the early part of this decade was caused by a lot of satellite ventures and that's what created all these losses. But today's investors get the benefit from that as they are really not going to pay cash taxes until 2018 or 2020.

The buzz words in defence these days are “missile-defence interceptors.” And Orbital is on a lot of programs. The company has competed with Boeing and Lockheed Martin and actually been able to win business from them. ORB was originally a rocket producer and is able to leverage its rocket-manufacturing abilities to these interceptors.

Financially, Orbital also seems to be in good shape with price-to-sales under 1.0, price to book of 1.7 and debt at 30 per cent of equity. At a price-earnings ratio of 24, the company is not cheap right now but has significant potential in the years to come. This is one you buy on a pullback, as they say in the biz.

Sunil Vidyarthi is president of Value Sciences Inc.

