

Forget the SpaceX IPO - We've Found the Only Launch Stock You Need to Invest in Right Now

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Dear *Money Morning* Member,

One of the most important lessons I've learned during my years as a tech investor is that the best stocks are those with clear "catalysts" in place.

In other words, you're looking for "triggers" that can ignite a stock's shares and send them higher in price.

Having analyzed thousands of stocks over the past three decades, I can tell you that finding a well-run company with even a single catalyst in place can be very hard to do.

That's why I'm so jazzed right now. I want to introduce you to a space profit play that's poised to zoom from three separate catalysts.

It's one of the coolest recommendations I've ever made. And the long-term upside is truly huge.

Let's get you started...

A New Frontier

The company in question is **Orbital ATK (NYSE: [OA](#))**. This big-cap firm is a leader in aerospace and defense. The company makes solid-rocket motors for missiles and commercial spaceflight.

Orbital ATK also makes commercial satellites for global communications and high-res Earth imaging, it supplies small and medium spacecraft that perform scientific research and security missions for the government.

This is just the start of our story. And from here it gets really interesting.

You see, OA's shareholders are enjoying rocket-booster shots of their own – courtesy of a merger that is bringing new efficiencies and growth and a new era in commercial spaceflight.

Today, Orbital ATK has \$3 billion in annual sales. And it has a storied history.

When the company – originally named **Alliant Tech Inc.** (ATK) – was founded 70 years ago, it was a unit of **Honeywell International** (NYSE: [HON](#)). It played a big role in the Allied victory in World War II by developing an electronic autopilot that allowed the fabled **Boeing B-17 Flying Fortress** to drop bombs with pinpoint precision.

Back in 1990, Honeywell decided to unlock the value hidden in ATK: The parent spun the unit off to shareholders as a venture specializing in military, marine and test instruments.

After becoming an entity of its own, ATK combined organic growth and deal making to expand. It moved into the aerospace market with the acquisition of **Hercules Aerospace Co.** in 1995 and **Thiokol Propulsion** in 2001.

Those transactions transformed ATK into the world's largest supplier of solid-rocket motors and a leading provider of high-performance composite structures. Since then, the company has engineered 11 merger-and-acquisition deals.

This *Let's Make a Deal* approach to its business has resulted in revenue growth and market-share gains.

But it is a deal that occurred earlier this year that's propelling this company to new and amazing things.

New Horizons

In February 2015, Alliant Tech merged its aerospace, defense and satellite operations with **Orbital Sciences Corp.** (NYSE: [ORB](#)), a low-cost provider of satellites and rockets, giving birth to the new combined company **Orbital ATK**.

Founded in 1982 by three buddies from **Harvard University**, Orbital had been at the forefront of space systems ever since.

Before the merger, Orbital was the best known as a maker of satellites for communications and broadcasting. It also produces satellites for scientific research.

And its satellite expertise goes deeper still. Orbital provided spacecraft's for national security missions, as well as planetary probes for exploring the outer regions of space.

In 2014, Orbital's satellites hit a major milestone – a cumulative 100 years of in-orbit operations. The company also conducted its first cargo delivery mission to the **International Space Station** for **NASA**.

In a moment I will tell you why this milestone is such a great catalyst for the stock – and a great deal for you.

But first, I want to explain why I think the Orbital ATK is set to hand us an outsized payday.

In fact, let's look at both of these stock-price "triggers" in even greater detail...

Catalyst No. 1: The Merger

The Orbital ATK deal reminds me of two similar transactions that had a huge impact on the defense and aerospace market about 20 years ago.

In April 1994, **Northrop Aircraft** announced it was merging with **Grumman Aerospace**, a company famous for building the **Apollo Lunar Module**. That deal created **Northrop Grumman Corp.** (NYSE: [NOC](#)).

Had you invested in Northrop at the time, you'd be sitting on profits of 603% today. Over that same stretch, the [S&P 500 Index](#) gained 338%.

Also in 1994, **Lockheed Corp.** – known for the World War II-era **P-38 Lightning** fighter plane – announced it was merging with **Martin Marietta**, a supplier to NASA's space-shuttle program and a noted subcontractor to Orbital. That \$10 billion deal combined two storied leaders and created the nation's largest defense contractor, **Lockheed Martin Corp.** (NYSE: [LMT](#)).

This deal was even more lucrative for investors. Had you purchased Lockheed when the merger was first announced, you would have reaped a 682% return – trouncing the S&P by 118%.

Catalyst No. 2: A New Era for Commercial Space

Orbital ATK has built more than 225 space systems and has 800 more space-related components delivered or in production. It's also a leading provider to the ISS.

The **New Space Race** is a market that includes everything from advanced satellites to commercial space flight to zero-gravity research and manufacturing. **Frost & Sullivan** estimates the commercial space market alone at roughly \$8.4 billion by 2020.

That's why I was so excited to see a report from *Wired* about how Danish astronaut **Andreas Mogensen** successfully controlled a robot on **Earth** from aboard the **International Space Station (ISS)**. **Mogensen** was able to operate the **Interact Centaur** rover in real-time by using a joystick.

The blue-and-white fiberglass robot cost less than \$224,000 to build and featured a built-in camera on its head that allowed Mogensen to see what he was doing as he guided the robot's movements from 250 miles above Earth.

Similar technology could one day be used by astronauts on Mars to control robots from great distances

Because NASA has curtailed its own flights to the ISS, many investors think commercial spaceflight remains stalled.

Just the opposite is true. NASA has quietly entered into partnerships with private companies for commercial spaceflights. The idea is to lower the cost to U.S. taxpayers by relying on the private sector's ability to control expenses.

NASA has invested at least \$5.7 billion in developing the commercial space industry. In fact, the agency singles out Orbital ATK as a company that is critical to the future of this field.

Orbital ATK makes the **Antares** rocket and the **Cygnus** spacecraft that NASA will use to ferry cargo to the ISS.

And as recently as September, NASA selected Orbital ATK for a new contract for aerospace propulsion systems technologies including liquid engine systems, propellant systems, electric propulsion, and rocket-based combined cycle.

"This effort reflects our continued commitment to be a key partner in NASA's pioneering space endeavors," says **Mike Kahn**, president of Orbital ATK's **Defense Systems Group**. "Orbital ATK has a rich history as a technology partner, and we are continuing to develop advanced solutions in space access and hypersonic propulsion."

But NASA isn't the only agency spurring commercial flights. The **Federal Aviation Administration** also is preparing for this new era.

Just weeks ago, the FAA reached an agreement with **Virgin Galactic** that will allow the new "space line" to begin suborbital tourism flights as early as the end of this year.

The company has built more than 225 space systems and has 800 more space-related components delivered or in production. It's a leading provider to **NASA** and the **International Space Station**.

And we can add **United Launch Alliance** (ULA) to Orbital ATK's impressive client list.

ULA is a 50-50 joint venture owned by **The Boeing Co. (NYSE: [BA](#))** and **Lockheed Martin** that is the premier rocket launch provider for the **U.S. Air Force**. ULA recently tapped Orbital ATK to provide rocket boosters for its **Vulcan** launcher and will switch the workhouse **Atlas 5** to the new booster supplier by the end of 2018.

ULA had previously relied on rocket boosters from **Aerojet Rocketdyne Holdings Inc. (NYSE: [AJRD](#))**, an Orbital ATK rival. The news comes right on the heels of Aerojet Rocketdyne's failed attempt to buy ULA in a bid worth \$2 billion.

Neither ULA nor its partners at Boeing and Lockheed made any mention about this aspect in their announcement.

Orbital ATK has yet to put a firm figure on the value of new booster contract. But I'm expecting this to give the stock solid momentum.

Catalyst No. 3: A Booming Business

Orbital ATK will be a formidable player in its own right. The company has a backlog of contracts totaling nearly \$12 billion. Annual sales are expected to be around \$3.2 billion, with top-line growth between 4% and 5% each year.

Moreover, one of its most profitable sectors is defense.

Orbital ATK's **Defense Systems Group** is an industry leader in advanced precision weapons, tactical rocket motors and warheads used in air-, sea- and land-based systems, missile-warning products, and gun systems and ammunition, serving the **United States** and our allies. The group is the largest U.S. producer of small-caliber ammunition, as well as a leading manufacturer of medium- and large-caliber ammunition and gun systems.

In addition, the company develops advanced capabilities for missile-defense interceptors, fuzing and warheads, weaponized special-mission aircraft, and propulsion control systems. It also provides extensive expertise in defense facility management, modernization and automation worldwide.

Recently, Orbital ATK has been racking up the contracts.

Over the past few months, Orbital ATK has garnered three of the top defense contracts:

- A \$16 million contract to develop next generation 120mm tank ammo.
- A \$260 million **S. Navy** contract for **AARG Missile**.
- Another \$118 million Navy missile conversion service contract.

Ready for "Liftoff"

Orbital ATK's management team is known for running a tight ship when it comes to costs.

That's a good thing because we want to buy cash flow, rising profits and solid margins.

Orbital ATK has those nailed. Recently trading at roughly \$87.12 a share, it has a market cap of \$5.09 billion, operating margins of 10.6% and a 6% return on equity (ROE).

For the fiscal third quarter ended October 27, the company had a net income of \$80 million, or \$1.35 per diluted share, up 16% on a year-over-year basis. The results crushed **Wall Street** expectations of \$1.08 per share.

The company had revenue of \$1.13 billion for the quarter, compared to analysts' expectations of \$1.09 billion. The company's revenue was up 52.7% compared to the same quarter last year.

Full-year sales are expected to hit \$4.5 billion, up 11% from the previous year.

Remember, though, that Orbital ATK's shares trade at a big discount to the broader market. If the valuation could just rise to that of the S&P, we'd be looking at a share price of about \$200 – a gain of more than 45% in as little as two years... with more to follow later.

That near-term estimate exceeds the current high-water target of \$177 set by a Wall Street analyst. But the sell-siders aren't seeing the full picture here. The current valuation is far too low given the company's double-digit earnings growth.

However, after three decades in this business, I'm never surprised when Wall Street fails to see a bargain.

Thanks to the cost savings, earnings per share (EPS) is expected to grow three times as fast – or 12% to 15% a year.

My analysis shows this stock could advance 50% in as little as two years, with more to follow.

When you count the benefits we'll be getting from all three catalysts – a profit-boosting merger, the explosive growth in commercial spaceflight and the continuing boom in defense – I'm certain this stock is ready for liftoff.

So quit waiting for the **SpaceX** IPO.

This is the spaceflight you don't want to miss...