



RIO 888

RIO 888 began trading Virgin Galactic stock (SPCE) in August 2019, and since launch the investment has gained 4.88%. This is in stark contrast to SPCE which is down over 82% in the same period, the staggering performance difference due to our investment strategy.

Virgin Galactic

Following almost two years of pandemic related delays commercial service is firmly underway. And with the commencement of commercial operations many investors had anticipated that SPCE stock would rally, their expectation of a rally perhaps understandable, after all historically even the announcement of an upcoming flight has led to a surge in SPCE stock value. The rally did not occur, Why? Well the main reason for the lackluster reaction was the fact that Virgin Galactic had announced that they would issue additional stock. In layman's terms the additional stock issue had put dampers on the stock's performance. That said, the capital raised by the issue was necessary as it is to be used to fund the purchase of Delta spaceships which will both meet the growing demand and lower the cost of operations.

More recently Virgin Galactic have announced that the Galactic 04 flight window opened has opened on the 5th, but actually this is more likely to take place on October 6th, 2023. This would mark the Company's fifth space flight this year, and ninth spaceflight to date, further demonstrating Virgin Galactic's ability to deliver safe, repeatable spaceflight.



Furthermore Virgin Galactic will be looking to display strength as it nears its next earnings release. The company has projected earnings of -\$0.43 per share, which would represent year-over-year growth of 21.82%. Estimates are projecting net sales to be up 42.86% from the year-ago period. Our analysts commented last week, with 7 of them rating SPCE as hold, 5 as buy and 1 sell. Add to that the fact that Morgan Stanley are estimating that the global space race is going to reach \$1 Trillion Dollars in annual revenue by 2040, the space industry is growing. As to what the future of Virgin is, well only time will tell, but the company have delivered and have travelled to space every month recently, revenue is up, and they've proved that they can operate and more importantly operate safely.

At the time of writing the company have near a Billion dollars in the Bank which would support two years of operation based on the current costing. The stock price is at an all time low, its arguably oversold @ 1.78. That said, it could move lower and I expect to see the stock test 1.50 short term. It should be near the bottom as the market cap of this stock has fallen to around 700 million dollars, its cash and investments exceed this noting the fact that the company has a little debt. So basically there's near a Billion in the bank.

The current space craft USS Unity can carry three to four paying passengers and fly once a month safely, the newly ordered Delta space craft can carry six passengers and fly once a week, this will dogmatically improve the operating economics for the company. They cost 50/60 million US Dollars each and the first delivery of these advanced space craft is anticipated in late 2025 with two more arriving in 2026 and three a year after that. However, for now, the challenge for Virgin Galactic is that it has an operating cash burn of around \$500 million a year, this as they await the building and eventual delivery of the delta class ships.

Basically our analysis is that they need more capital to address the cash flow challenge facing the company. At present to a large degree the future of this company hovers around its stock price. The management of Virgin Galactic have recently been in talks addressing and finding a solution to the above issue.

What would solve Virgin Galactic capital requirement?

A quick solution is having a partner company invest in the stock. There have been rumours this week that Boeing has expressed an interest, after all, Aurora are building the new mother ships and are a subsidiary of Boeing. The other main supplier would be the manufacturers of the Delta class space craft, Bell Textron Inc, who are a wholly-owned subsidiary of Textron Inc.

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