MERGERS & ACQUISITIONS

NEW FEATURE

M(D) & A: The Impact of MacDonald, Dettwiler and Associates Ltd. Acquisition of Space Systems / Loral

Combining distinctive DNA, the new MDA/SSL has created a model for this year’s best acquisitions.

Bruce Gibney famously penned the Paypal mafia’s (PayPal founders cashed out in a sale to Ebay and went on to become some of the most influential serial entrepreneur/investors in Silicon Valley – known as the “Paypal mafia”) manifesto “What happened to the future?” The future, as this group of successful entrepreneurs saw it, involved great and thriving businesses based on advancement of science and technology. Lamenting that venture capitalists were more interested in better social networking than finding the next quantum leap in semiconductors, the manifesto declared that venture capital had shifted away from transformational technologies. The next generation of investments offer considerably more hope. Enter SpaceX, Skybox, Cosmogia, and O3B – the NewSpace companies, all backed by credible VCs like DFJ, Founders, and Khosla are evidence of a reformation. (Please see “Investor Watch” in this issue of Thruster.) And now a number of mergers and acquisitions like MacDonald, Dettwiler and Associates Ltd.’s investment in SSL (formerly Space Systems/Loral) may answer Gibney’s question more convincingly than many new NewSpace companies.

The practical combination of two successful, self-sustaining companies with proven technologies is the most likely path to growth in both the traditional and the NewSpace industries.

Acquisitions make headlines: DigitalGlobe turned the tables on GeoEye, snapping up its former acquirer-to-be for about $450Mln. The Wall Street Journal recognized why this acquisition made sense, “Like other companies catering to the U.S. government, DigitalGlobe has grappled with government spending cuts that have raised concerns about its sales prospects.” MDA recently completed its acquisition of SSL with the express purpose of combining the similarly-sized companies to create a ~$1.8Bln, 4,500-person multinational NSG PTC with the capabilities necessary to pursue a US-centric access plan. (Please see “Point-to-Point: Canada” in the July / August 2012 issue of Thruster.) The deal, which received official US approval and was final-
ized in early November of 2012, gives Canadian MDA an asset with US roots and a foothold in the lucrative US satellite market, the spacecraft vertical of the “8-Verticals of NewSpace.” On their end, MDA received a 1.3 million sq. ft. state-of-the-art satellite facility in Palo Alto, California, which can be used for assembly of U.S. Government and commercial spacecraft, systems, and integrated solutions; and an advanced and talented technical workforce.

The practical combination of two successful, self-sustaining companies with proven technologies is the most likely path to growth in both the traditional and the NewSpace industries. Both MDA and SSL have existing core businesses that will each continue – strengthened by the merger – to provide products to their core customer base. MDA’s acquisition drives a powerful combination of complementary technology and manufacturing capabilities, intellectual assets, and innovation paving a path to both US Government and new commercial markets. The combined company draws on profound experience in communications, Earth observation (EO), surveillance and intelligence and autonomous systems. Teams of “intrapreneurs” can now draw on an extremely diverse set of core capabilities, like the team that developed the Mars Science Laboratory Robotic Arm (MSL RA): A critical, single-fault-tolerant mechanism in the MSL science mission that must deliver five of the Rover’s 12 science instruments to the Martian surface. From robust spacecraft kitted out with groundbreaking robotics to advanced image processing and machine vision fused with autonomous task planning for distributed sensors, this powerhouse proves that technology is back. The list goes on – multi-mode power processing for electric propulsion, flexible solar arrays – the toolkit is tremendous.

Expect to see more M&A activity as the big players retrench and the upstarts embrace vertical integration where sensible.

MDA’s acquisition of SS/L could produce further technological innovations on the ISS.
tle M&A amongst NSG 100s – you can count on one hand the total number. Dynetics’ acquisition of Orion, Northrup Grumman’s acquisition of Scaled Composites, and Virgin Galactic’s acquisition of The Spaceship Company are three that come immediately to mind, but NSG Analysts believe M&A among NSG PTCs and NSG 100s, especially the NSG 100s and NSG OTBs in smallsats, will increase significantly over the next several years. (Please see “Letter From the Editor” in the November 2012 issue of Thruster.)

The US Government has been on a steady march away from traditional acquisition schemes. NASA has led the way with its commercial acquisition approaches, which have been publicly lauded success stories. SSL will offer yet another alternative to the traditional primes, with over five decades of heritage, new technology infusion, and a deep bench of talented individuals. Sequestration will accelerate the pace of this new world order. It won’t be easy on the primes, and market forces may spur M&A activities just to survive. (Please see “Publicly Traded Companies” in the December 2012 issue of Thruster.)

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