

BSVI – ROCKET LAB USA EQUITY RESEARCH

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MACROECONOMIC AND GEOPOLITICAL FACTORS

Several macroeconomic factors have an influence on the space industry. Generally, periods of global economic expansion favor investments in space-related businesses. Also, government funding for space programs plays an important role in industry growth: governments often make contracts with private companies, providing the industry with necessary investments. This is more and more common in the USA, engaged in a space-run competition mainly with China and Russia. This competition expands also to military contexts: satellites play a central role in military operations, providing secure communications, intelligence, and missile warning systems.

Major world powers, concerned by national security and strategic interests, are engaged in a **race to develop military space technologies**. Organizations worldwide are creating constellations of satellites to monitor global activities and ensure communication in difficult environments, as it is the case for Starlink. Moreover, the current geopolitical situation, with the war in Ukraine, the Israeli-Palestinian conflict, and the tensions in Taiwan, made governments aware of the **increasing importance of space for national security**, leading to higher military space budgets and investments in the sector.

FOCUS ON ROCKET LAB

Rocket Lab USA is likely to play a central role in shaping the future of global connectivity and security; even though its stock price has not performed well in recent years, it is well-positioned to benefit from the discussed trends in the space industry, particularly thanks to RKLB's

SPACE INDUSTRY OVERVIEW

Rocket Lab USA (RKLB) is an American company operating in the space sector; this includes various segments, such as satellite manufacturing, launch services and space tourism. Over the past years, the space industry has evolved from a government-dominated sector to a competitive commercial one. Nowadays, we assist to the rise of private space companies, like SpaceX or Rocket Lab USA, which are playing an increasingly important role, encouraging innovation and competition, while providing satellite launch services and spacecraft design solutions. Globally this sector is undergoing a period of massive expansion, supported by several key reasons:

- **Technological improvements:**
Reusable rockets, miniaturization of satellites, and developments in private spaceflight are making space exploration and utilization more attractive and affordable.
- **Growing demand for satellites:**
Satellites are crucial for various applications, from telecommunications to navigation. The increasing demand for satellite services is fueling industry growth.
- **Dual-Use Technologies:**
Many space technologies developed for civilian purposes have dual-use applications in the military domain, blurring the lines between commercial and defense sectors.
- **Geopolitical situation:**
The growing importance of “space assets” for national security is fostering government investment in the industry, especially considering the current geopolitical situation.

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Electron, the second most frequently launched U.S. rocket, which provides cost-effective launch solutions for small satellites. Moreover, the increasing use of satellites in military contexts perfectly aligns with RKL's business and, consequently, the company is likely to get lucrative government contracts.

FIVE FORCES ANALYSIS

Supplier Bargaining Power

In the space industry, the bargaining power of suppliers can be considered moderate to high. Rocket Lab USA, as other companies operating in the space sector, relies on specialized suppliers for components such as rocket engines, avionics and other materials suited for space. The high specificity and technical requirements of these components limit the number of suitable suppliers, giving those suppliers substantial bargaining power. Suppliers' bargaining power is further strengthened by the complexity and safety standards required in space missions, that therefore increase industry players' dependency on reliable suppliers who can meet stringent quality controls.

Buyer Bargaining Power

The buyer bargaining power in the space industry tends to be moderate. Customers of Rocket Lab USA include both government and commercial entities. Government contracts, which often involve significant funding and long-term agreements, provide stable revenue but with stringent requirements and high competition. Commercial buyers, such as satellite companies, also have specific demands and can choose among several service providers, which increases competition but also allows Rocket Lab to differentiate its offerings, such as providing dedicated rideshare missions and customized launch solutions.

Threat of Substitutes

The threat of substitutes in the space launch market is relatively low but evolving as, up until now, traditional alternatives to rockets offer limited competition. Even though technological advancements take place continually in the modern world, the space sector's substitution cycle is, on average, more extended in time, due

to the high investment and technological expertise required to develop viable alternatives.

Industry Life Cycle

The space industry is in a growth phase characterized by rapid technological advancements and an increasing rate of market entry by new players. The evolution from government-led to commercially driven initiatives has expanded the boundaries of what is possible, pushing the industry into new frontiers of exploration, satellite deployment, and human spaceflight. With time, as technologies such as reusable rockets become more advanced and widespread, the costs associated with space access are progressively decreasing, rendering space activities more frequent and ambitious.

Degree of Internalization vs Outsourcing

There is a significant trend towards internalization within leading companies in the space sector (namely SpaceX's development of in-house technology for rockets and infrastructure) and this trend is progressively reducing reliance on external suppliers and controls costs and quality. However, outsourcing remains a critical component, particularly in non-core areas or where specialized expertise is required (e.g., specific satellite components or specialized software). This blend of internal development and strategic outsourcing helps companies manage risks and leverage global technological advancements.

Degree of Internationalization

The space industry is highly international, with collaborations and partnerships crucial in sharing the enormous costs and risks associated with space exploration and satellite launches. International treaties and agreements also play a role in governing how space activities are conducted, affecting strategic decisions related to outsourcing and operational geography. Companies today, more than ever before, must navigate a complex global landscape where developing geopolitical tensions can impact collaboration.

Competitive Rivalry

Competitive rivalry in the space industry is high and intensifying. Companies such as SpaceX, Blue Origin, and national agencies represent significant competition. The dynamics of competition are

influenced by technological advancements, cost of launches, and the frequency and reliability of service. Rocket Lab faces the challenge of maintaining a competitive edge through innovations like its Electron rocket and Neutron rocket projects aimed at enhancing payload capacity and reducing costs. Additionally, the industry sees frequent strategic shifts, such as mergers, acquisitions, and alliances that are constantly reshaping the market landscape.

Changes in the Competitive System's Dynamics

- Technological Innovation
Rapid advancements in technology are a significant driver of competition in the space industry. Companies continually innovate to offer better, more cost-effective, and reliable launch solutions, including, for example, the development of new rocket technologies, satellite deployment strategies, and exploration missions.
- Market Entry and Expansion
New entrants continue to emerge, fuelled by decreasing barriers to entry and the commercial viability of space activities. Existing companies are expanding their offerings, moving into new up-and-coming market segments such as space tourism, lunar exploration, and asteroid mining, which increases the areas of competition.
- Strategic Alliances and Mergers:
Companies frequently engage in strategic alliances, partnerships, and even mergers to leverage collective strengths, share risks and access new markets. This trend may lead to a continuous reshaping of competitive landscapes as companies combine resources to tackle modern complex and costly challenges.
- Government Influence and Contracts
Government contracts are a significant source of revenue and competition, particularly in the defense and research sectors. Companies compete intensely to secure government contracts, which can provide stable long-term income and validation of technology, together with reputational benefits. The geopolitical context is also influencing competitive dynamics, as state-supported entities may have advantages in certain markets.

- Price Competition and Cost Efficiency
As the technology for space access becomes more standardized and more players enter the market, price competition is intensifying. Companies are compelled to find new ways to reduce costs while improving service reliability and frequency to attract and retain customers.

Threat of Entry

The threat of new entrants in the space industry is moderate. Even though the industry presents high barriers to entry, such as massive initial capital investment, sophisticated technology, and stringent regulatory requirements, there has been an increase in new entrants over the past decade due to rising commercial interest and advancements in technology which are steadily reducing entry costs. With the rising interest in the space sector, new ventures, funded both by the public and private sector, are trying to make a name for themselves in the industry, siding against existing incumbents. Nevertheless, the complexity of achieving reliable launch capabilities and the safety standards required continue to deter many potential new entrants.

PEST ANALYSIS

Political Factors

RKLB operates in a **highly regulated industry** in which political decisions play a crucial role: changes in regulations could, in fact, impact RKLB's operations and its future. RKLB's business with various governmental entities is subject to the policies, priorities, regulations, mandates and funding levels of such governmental entities, meaning that it may be negatively or positively impacted by any change in government priorities and budget allocation. Additionally, we must mention that RKLB's business is also heavily influenced by geopolitical factors and international relationship: as previously discussed, the on-going wars are highlighting the importance of the space sector, leading to increased spending and funding.

Economic Factors

Global economic conditions are very important for RKLB. Since the company is not yet profitable, it heavily relies on **external funding**, that is likely to be reduced in periods of economic downturns. Hence, uncertain global macro-economic

conditions could affect RKL B's operations and its financial condition. Moreover, disruptions in the supply of key raw materials or components, as well as increases in prices of raw materials, adversely impact the company.

Social Factors

Nowadays, there is a **growing public interest** in the space sector and, generally, in the so called "Space Economy". People are more and more excited about space exploration, and this could help fuel the general public's support for RKL B' activities.

Technological Factors

Obviously, technological factors are fundamental for RKL B: **advances in satellite technology** enable the company to increase its margin and consequently its profitability. However, RKL B must stay at the forefront of these innovations, trying to get a competitive edge against other companies.

MARKET TRENDS

Increasing Commercialization and Privatization

The space industry is experiencing a **shift from government-dominated activities** to more commercial ventures. Private companies such as Rocket Lab, SpaceX and Blue Origin are, in fact, not only providing launch services but also venturing into areas like satellite internet, space tourism and lunar exploration. This trend is expanding the market by opening new revenue streams, increasing the sector's present and future value.

Microsatellites and CubeSats

There is a growing **trend towards the production and utilization of small satellites** such as microsatellites and nanosatellites (CubeSats are an example of nanosatellites). These satellites are cheaper to build and launch and, thanks to their smaller size and weight, offer even more versatile applications in research and telecommunications. The launch frequency for these small satellites is increasing, fueling market demand for these small satellite launch services: Rocket Lab has, since the launch of Electron, been a leader in this niche of the space sector and can definitely capitalize on this market trend.

Space Tourism and Commercial Space Travel

Even though space tourism has yet to take off as a commodity within the space sector, it has very **large growth potential**. Companies such as Virgin

Galactic and SpaceX are continuously developing and implementing plans to take private passengers into space and the predisposition of these large industry players suggests a potential new market segment that could expand even further in the next decades.

Global Internet Coverage Projects

Projects such as SpaceX's Starlink and Eutelsat's OneWeb aim to provide global efficient **broadband coverage using satellite constellations**. This industry-wide goal is creating sustained demand for small satellite launches and could be exploited by Rocket Lab which specializes especially in launching and deploying small satellites into orbit.

OUTLOOK

Advancement in Propulsion Technologies

The industry's main objective is that of advancing in propulsion technologies, with the goal of **reducing costs and improving the efficiency** and smooth running of satellite launches. Developments in electric propulsion and reusable launch systems are continuing to take place and this may potentially reduce in the medium-long term the high barriers to entry of the space sector, increasing the number of competitors in the space sector and ultimately raising the frequency and number of satellite launches.

Lunar and Martian Exploration

As national space agencies and private companies are aiming to explore with increased frequency the Moon and even Mars, there will be **increased opportunities for commercial involvement** in "deep space missions", branch of astronautics and space technology involved in the exploration of distant regions of outer space. The set of commercial opportunities that incumbents and new players may have ranges from providing launch services to building space habitats and supplying life support systems for astronauts. Rocket Lab may look into the possibility of forming partnerships with other players or directly diversifying in this direction.

Regulatory and Space Traffic Management

Since the number of satellites in space and the quantity of space debris is rapidly increasing due to the increased relevance of the space sector since the second half of the XX century, the

importance of effective space traffic management is becoming crucial. Future public regulations and the need for debris mitigation strategies could influence future market dynamics, simultaneously **creating challenges and opportunities** for companies that can offer solutions in these areas.

[In-Orbit Services and Space-Based Manufacturing](#)

One of the next frontiers of the sector could be that of in-orbit manufacturing, assembly and maintenance of satellites and space structures and this could transform how they are built and maintained in space. This shift which may take place with the objective of **lowering costs and risks involved with satellite launches** and could lead to new service offerings from industry players, such as in-orbit satellite servicing, refueling, and manufacturing.

[Sustainability in Space Operations](#)

Responding to the need of lowering costs and risks associated with space operations, thus increasing the sustainability of the industry's operations as a whole, there is a growing awareness to the need of developing technologies and practices that can minimize orbital debris, while ensuring that the increasing number of satellite launches do not negatively impact the space environment. As in the economy as a whole, the space sector and its players may need to focus on **"green" and environmentally sustainable operations** to continue to explore, with the same frequency, space and all the economic opportunities it offers.

WHAT IS RKL B DOING?

While Rocket Lab's business has historically been centered on the **development of small-class launch vehicles** and the related sale, it is currently innovating in the areas of medium-class Launch Services (design, manufacture, and launch of rockets) and Space Systems (spacecraft components, program management services, space data applications and mission operation). Each of these initiatives addresses a critical component of industry dynamics and the company's value proposition for the space economy.

Rocket Lab, though, is still focusing on its flagship, Electron (RKL B's most used small launch vehicle). Since its first launch in 2017, when it was designed

to **meet the growing dynamic needs for small launch services**, it has become a leading spacecraft launch vehicle delivering 172 spacecraft to orbit for government and commercial customers across 38 successful missions through December 31, 2023. In 2023, Electron was the second most frequently orbital launched rocket by companies operating in the United States and maintained Rocket Lab as the fourth most frequent orbital launcher globally. Moreover, Rocket Lab is developing many industry-leading innovations, including 3D printed electric turbo-pump rocket engines, fully carbon composite first stage fuel tanks, a private orbital launch complex, a rocket stage that can be configured to convert into a highly capable spacecraft on orbit, and the potential ability to successfully recover a stage from space, providing a path to reusability.

Furthermore, Rocket Lab has announced plans to **develop a reusable medium-capacity Neutron launch vehicle** which is expected to increase the payload capacity of space launch vehicles to approximately 15,000 kg for expendable launches to low Earth orbit and lighter payloads for reusable configurations and into higher orbits. Neutron will be tailored for commercial and U.S. government constellation launches and ultimately configurable for and capable of human space flight, enabling Rocket Lab to provide crew and cargo resupply to the International Space Station. Neutron will also provide a dedicated service to orbit for larger civil, defense and commercial payloads that need a high level of schedule control and high-flight cadence. Neutron is expected to have the capability of launching nearly all the spacecraft configurations that are expected to be launched through 2029 and the company expects to be able to leverage Electron's flight heritage across various vehicle subsystems designs, launch complexes and ground station infrastructure.

To face these challenges, Rocket Lab can rely on increasing revenues, the company generated **\$244.6 million and \$211.0 million in revenue** for the years ended December 31, 2023 and 2022, respectively, representing a yearly in revenue of approximately 16%. This year-on-year increase primarily resulted from increased revenues in

space system products and services representing growth of \$22.7 million and higher launch cadence that delivered growth of \$11.2 million. Moreover, on December 21, 2023 Rocket Lab entered into an agreement with the Space Development Agency (“SDA”) to design, manufacture, deliver, and operate 18 space vehicles. The contract with the SDA has a total value of \$515 million, which includes a base amount of \$489 million. The objective of the agreement is delivering space vehicles for launch slated for 2027. RCLB also aims to reduce expenses, thus increasing margins; indeed, for the years ended December 31, 2023, 2022 and 2021, the revenue value per launch was \$7.1 million, \$6.7 million and \$8.1 million, respectively. Meanwhile, cost per launch was \$7.0 million, \$7.5 million and \$9.2 million, respectively. The decrease in cost per launch is mainly driven by efficiencies of scale due to increased build rate and launch cadence.

ESG COMMITMENT

Rocket Lab is committed to integrating ESG principles within its core operations as the company understands the significance of employing sustainable practices to promote long-term business performance and environmental stewardship. The company’s ESG efforts are designed not solely to mitigate risks and **enhance operational efficiency** but also to leverage the innovative potential of its team to drive progress within the aerospace sector. Delving deeper into Rocket Lab’s initiatives we can distinguish:

Environmental Sustainability:

Rocket Lab is devoted to minimizing its environmental footprint through **innovations in rocket reusability and waste reduction**. This particular trait was highlighted effectively with the development of Electron, a partially reusable launch vehicle designed to decrease material use and reduce the environmental impact of space launches.

Social Responsibility:

Rocket Lab actively engages with the communities around its international launch sites and facilities, with the objective of enhancing the surrounding quality of life and contributing to the local economy’s development. Additionally, the company has also implemented educational

initiatives aimed at **inspiring the next generation of scientists and engineers**, concurrently prioritizing workforce diversity and inclusion across all levels of its operations.

Governance and Ethics:

With the objective of upholding high standards of corporate governance, Rocket Lab continuously ensures compliance with applicable laws and regulations across all jurisdictions in which it operates. The company, responding also to its public nature, maintains **transparency with its stakeholders** through regular reporting and enhances its trustworthiness and accountability by adhering to ethical business practices.

FINANCIAL STATEMENTS ANALYSIS

Head of FSA division:

Lorenzo Ronchi

Financial Statement Analysis division

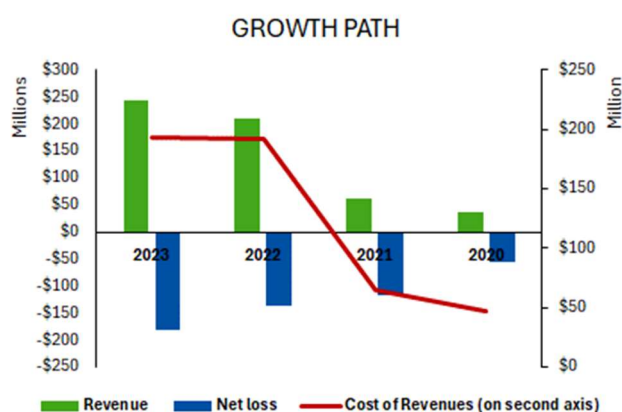
members:

Gurpreet Kaur

Giulia Buono

GROWTH PATH

Income Statement



Since 2020 the company had consistently positive and increasing revenues. Their main source of revenues are the contracts stipulated with their customers to tailor spacecraft solutions for their missions. They collaborate closely with their customers every step of the way to refine the design and pivot quickly to serve customer's ever evolving needs.

Given the high number of rockets they have with customers, the amortization can be a big chunk of the cost of revenues. From the information's made available Rocket Lab USA launched 183 satellites. Furthermore, they have a range of rockets from which the customers can chose.

From analyzing the income statements, we can notice the peak of revenues between 2021 and 2022, from 62 mln \$ to 210 mln \$.

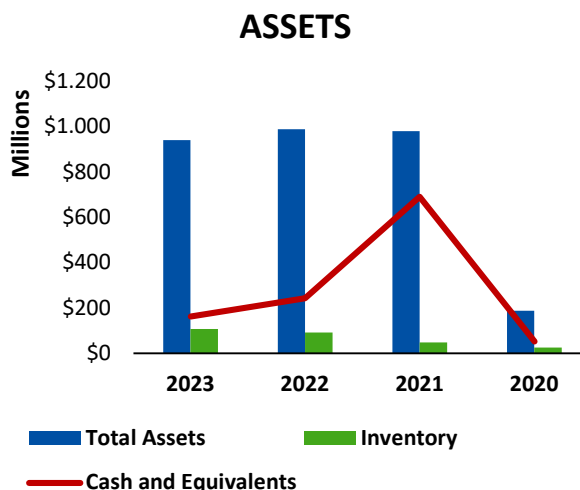
This peak is given by a debut in the stock exchange of New York in 2021, **the acquisition in October**

2021 of Advanced Solutions, Inc (ASI), a Colorado-based aerospace engineering firm delivering mission proven space software, mission simulation, and testing solutions. And nine successful contracts signed in 2022, some of the customers included NASA, payloads from Sweden, Japan, Germany, Scotland, and many others.

A major factor to consider is the barriers of entry in the industry given by the peculiarity of the industry and the economy of scale. The direct connection between the cost of revenues and revenues is the use of platforms for launch, fuel mainly kerosene, and the research and development needed to implement bigger projects.

To contribute to this net loss, we have operating expenses that were consistently higher than the revenues. These costs include the research and development, selling, general and administrative. Nevertheless, is important to take in mind the industry in which the company operate. For the year 2023, the **research and development costs constitute more than 50% of the operating costs**, which for the 2023 were 229 mln \$.

Balance Sheet



From the tables we can say that the company has a huge amount of assets, and constantly more than 900\$ mln.

However comparing the numbers, it seems that the company could not use efficiently the assets. The ROA is low throughout the years.

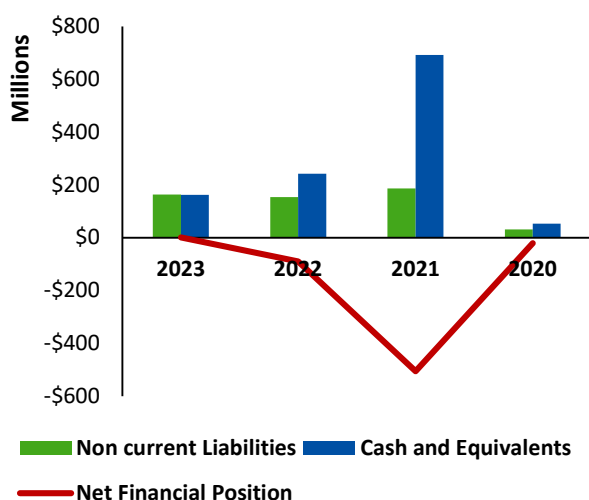
We have cash and equivalents which make more than 10% of the total assets and were almost 40% of the current assets in 2022. As well as the

inventory in the last two years; in the year 2023, the inventories were 23% of the current assets.

As for the cash and equivalent, between the year 2020 and 2021, the amount of cash rose from barely 60 mln to almost 700 mln, this is given by the successful IPO of 2021, when the company debuted in the New York Stock Exchange. Furthermore, in the 2022 the Cash and Equivalents quickly lowered; this can be given by the huge investments in R&D. In 2022 Rocket Lab USA had several notable missions, just to say some names we have:

- **Rocket Like A Hurricane**, the company launched an Electron booster for NASA from Launch Complex 1.
- **CAPSTONE**, the company launched the Cislunar Autonomous Positioning System Technology Operations and Navigation Experiment (CAPSTONE) spacecraft for NASA and Advanced Space. The mission aimed to explore lunar space 2.

NET FINANCIAL POSITION



As for liabilities, Rocket Lab USA have **62% of current liabilities as Contract Liabilities**; These liabilities represent obligations related to contracts and agreements with customers. These types of contracts consist in the down payments by the customer for future long-term service.

A positive NFP indicates an excess of liquid assets over debt, a negative NFP suggests insufficient. We see from the graph that only in 2023 the company had a positive NFP, suggesting an improvement and more profitability. Moreover,

we should analyze the leverage ratio to understand better these values.

RATIO ANALYSIS

Financial ratios indicate improved profitability and liquidity in 2023 compared to previous years. However, Rocket Lab USA must address substantial challenges to stabilize its cash flows and reduce long-term debt. The company's growth forecasts are promising but require thorough monitoring and detailed analysis of the underlying assumptions to ensure they are realistic and achievable.

LIQUIDITY RATIOS		
YEAR	Quick Ratio	Current Ratio
2023	1,37	2,13
2022	3,19	4,06
2021	7,37	8,04
2020	1,31	1,92
2019	3,37	3,90

PROFITABILITY RATIOS		
YEAR	ROA	ROE
2023	-11,5%	-29,7%
2022	-8,6%	-19,8%
2021	-10,9%	-28,9%
2020	-17,6%	-44,1%

COMPANY VALUATION

(under the finance division)

Head of finance division:

Luca Gribaudo

Finance division members:

Samuele Acerbi

Elisabetta Antonelli

In order to decide what growth rate to use in the DCF model, historical, fundamental and analysts' estimates growth rates were analyzed.

Based on the data presented in the table below, it is evident that the company has experienced significant growth since the pandemic. This is due to the fact that the company is relatively new in the market and is still expanding. Despite the challenges faced, the company was able to increase its sales. As shown in the table, the company achieved an impressive 239,01% growth in revenue in 2022 and is projected to achieve a growth rate of 75,63% this year. In order to offer a more precise and accurate analysis, we forecasted revenues' growth in the following 5 years using data from FactSet and estimating the 2028 using the 10 years CAGR aerospace industry.

YEAR	REVENUES (in mln €)	GROWTH RATE
2020	€ 35,16	-
2021	€ 62,24	77,02%
2022	€ 211	239,01%
2023	€ 244,59	15,92%
2024	€429,57	75,63%
2025	€623,03	47,13%
2026	€912,65	44,40%
2027	€1.189,23	30,31%
2028	€1.382,01	16,21%

WACC

Beta: given the source of revenues for Rocket Lab USA, we considered both Nasdaq and the S&P 500 to identify the proper market to calculate the beta. After meticulous evaluations and calculations, we computed the beta using a regression analysis with daily returns of NASDAQ and Rocket Lab USA of last 2 years (it was the regression with the highest R square). The final beta value achieved was 1,519.

Cost of equity: Based on the Beta analysis, the risk-free rate for Rocket Lab USA was estimated to be 4,36% corresponding to the yield of the 10-year Treasury Bond, while the Market Risk Premium (MRP) equal to 4,60% was determined according to data provided by NYU Professor Aswath Damodaran. These two figures and the beta were used to calculate the Cost of Equity (CAPM), which was computed to be 11,35% for the Discounted Cash Flow (DCF) analysis.

Cost of debt: We estimated the cost of debt using the coupon rate on the latest significant bond emission equal to 14,40% (details: amount 110 million, date 12/2023).

In our opinion it is the most significant and realistic value to proxy the cost of debt considering the current and prospective situation of the company. Indeed, other methods to calculate the cost of debt provided unrealistic values (for example using risk-free rate + spread which was determined to be 20% due its negative Interest Coverage Ratio of -41,12).

WACC: to calculate the Weighted Average Cost of Capital (WACC), we used both the cost of debt and the cost of equity. We took market capitalization (91,07%) and debt book value (8,93%) to determine the capital structure weights and calculating the WACC for the company equal to 11,30%.

The following chart displays a comprehensive list of all the data points that were used in the computation of the Weighted Average Cost of Capital (WACC).

Cost of Equity (CAPM)		
Risk Free Rate	4,36%	03/04/2024
MRP	4,60%	
Beta	1,519343846	
Ke	11,35%	

Cost of Debt		
Rfr	4,36%	
Interest Coverage Ratio	-41.12	
Rating	D	
Credit Spread	20%	
Kd	14,40%	

WACC Calculation		
Equity Value	1.857.907.400	
Debt Value	182.290.000	
Tax Rate	25%	
E / D + E	91,07%	
D / D + E	8,93%	
WACC	11,30%	

SENSITIVITY ANALYSIS

Due the several assumptions we made, we decided to compute a sensitivity analysis considering different values of the parameters we used to see the differences in Rocket Lab USA's price. In the following table we calculated the different price Rocket Lab USA can assume changing the WACC and the terminal growth we estimated.

		WACC						
		2,777	9,30%	10,30%	11,30%	12,30%	13,30%	14,30%
g	1%		2,994	2,576	2,242	1,970	1,744	1,555
	2%		3,401	2,883	2,481	2,159	1,897	1,680
	3%		3,936	3,275	2,777	2,390	2,081	1,829
	4%		4,673	3,791	3,155	2,676	2,303	2,005
	5%		5,754	4,502	3,653	3,041	2,579	2,220

DISCOUNTED CASH FLOW MODEL

In order to determine Rocket Lab USA's intrinsic value, we used a Discounted Cash Flow model forecasting the Free Cash Flows according to the assumptions explained before. With this model (calculations can be seen in the Appendix), we were able to compute the **Enterprise Value** to be **€1.295,403**, as illustrated in the free cash flow projection below. After taking into account the net debt and finding the equity value, we divided it by the number of shares outstanding to obtain a **share price** of **€2,77**. It is important to note that the Free Cash Flows of Rocket Lab USA today are negative and we had to make several assumptions and using estimated data.

CONCLUSION

Considering the results of the Asset Side Discounted Cash Flow analysis we reached the conclusion that **on 28/04/2024 Rocket Lab USA stock is 37% overvalued** and therefore we suggest to **SELL** the stock.

OVERVALUED

Fair Price = €2.77
VS
Current Price = €3.80

DISCOUNTED CASH FLOW MODEL

Year	2024	2025	2026	2027	2028	Terminal Value
FCFF	€ -152,09	€ -55,25	€ 66,71	€ 122,03	€ 171,79	€ 2.131,81
Discount factor	0,90	0,81	0,73	0,65	0,59	
Discounted FCFF	€ -136,65	€ -44,60	€ 48,38	€ 79,52	€ 100,58	
ENTERPRISE VALUE						€ 1.295,403

DCF APPENDIX

EBIT ESTIMATION										
	Historicals				Explicit forecast					
(EUR m)	2020	2021	2022	2023	2024	2025	2026	2027	2028	
Income statement										
Sales	35,16	62,24	211,00	244,59	429,57	632,03	912,65	1.189,23	1.382,01	
<i>Growth</i>		77,02%	239,01%	15,92%	75,63%	47,13%	44,40%	30,31%	16,21%	
ods sold (COGS) (excluded D&A)					298,8	393,9	616,5	790,5645	918,715	
<i>% of sales</i>					69,56%	62,32%	67,55%	66,48%	66,48%	
Gross profit					130,77	238,13	296,15	398,67	463,29	
Other SG&A expenses					228,67	213,53	109,75	132,00	125,75	
EBITDA					-97,90	24,60	186,40	266,67	337,54	
<i>Margin</i>					-22,79%	3,89%	20,42%	22,42%	24,42%	
D&A					32,10	36,90	58,80	76,62	89,04	
EBIT					-130,00	-12,30	127,60	190,05	248,50	
<i>Margin</i>					-30,26%	-1,95%	13,98%	15,98%	17,98%	

DCF										
Cash flows	2020	2021	2022	2023	2024	2025	2026	2027	2028	
EBIT					-130,00	-12,30	127,60	190,05	248,50	
(Operational taxes)					32,5	3,075	-31,9	-47,5135	-62,1254	
NOPAT					-97,50	-9,23	95,70	142,54	186,38	
Depreciation					32,10	36,90	58,80	76,62	89,04	
Gross cash flows					-65,40	27,68	154,50	219,16	275,42	
Change in noncash WC	8,78	-8,02	-47,69	-7,29	-14,49	-21,33	-30,79	-40,13	-46,63	
<i>% of sales</i>	24,97%	-12,89%	-22,60%	-2,98%	-3,37%	-3,37%	-3,37%	-3,37%	-3,37%	
CAPEX					-72,2	-61,6	-57	-57	-57	
FCFF					-152,09	-55,25	66,71	122,03	171,79	
TV cash flow									176,94	
Year					1	2	3	4	5	
Discount factor					0,898473	0,807254	0,725296	0,651659	0,585498	
PV FCFF					-136,65	-44,60	48,38	79,52	100,58	
Terminal Value									2131,81	
PV terminal value									1248,17	
Enterprise Value										1295,40
Less: Net Debt 2023										-62,48
Equity Value										1357,88
NOSH										488,9
Share Price										2,777
Current Share Price										3,8
Reccomendation										SELL