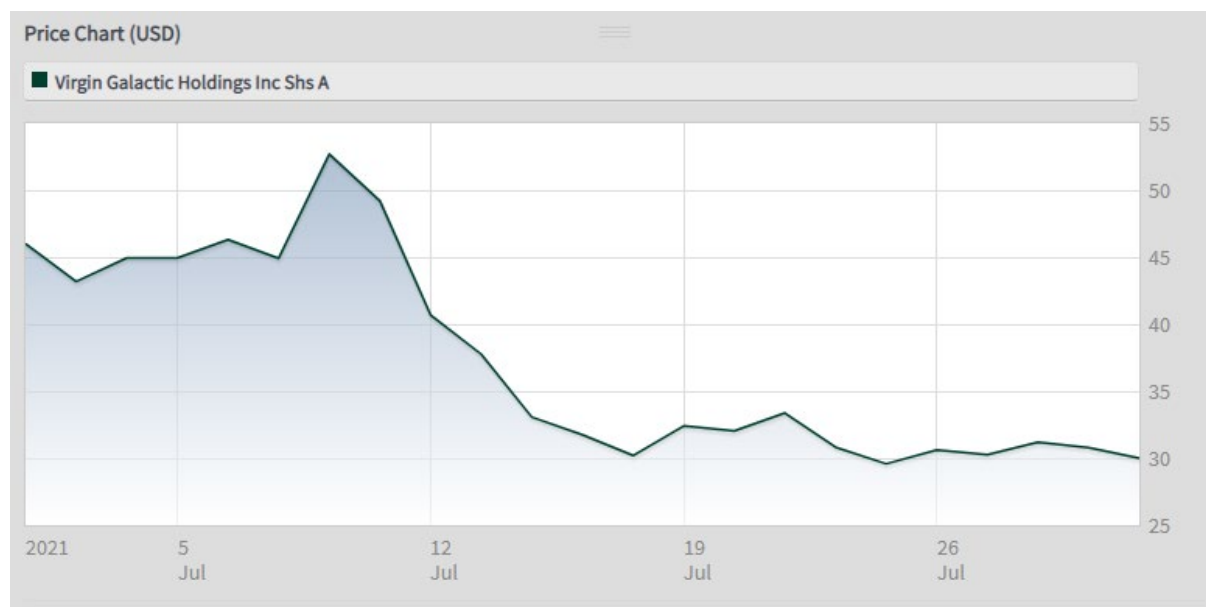




RIO 888

RIO 888 - an update on Virgin Galactic (SPCE).

Virgin Galactic's (SPCE) recent moves could be described as a roller coaster ride as the stock rallies then crashes back. The point that this business will continue to lose money this year as the company won't book revenue until its first commercial flights next year has been obvious to any and all money managers, but the financial press post articles on this point like it's something new. The only real point being several analysts have revised their long-term EPS estimates on SPCE simply due to the timeline to profitability being pushed back. SPCE closed at \$29.99 on the 30th, the last trading session of July.



As 888 banked strong gains in 2019 and 2020 it made me cautious not to lose ground given Virgin Galactic's testing setbacks; this proved to be the correct strategy as this stock has seen extreme price swings, more recently the stock rallied to a high of \$57.51 then crashed to a low of \$14.27 a share. Almost all analysts have the price target at \$38.64, anything above that value without a fundamental change is simply paying too much and adding massively increased risk. Basically gambling, which in today's market seems to attract a growing number of risk-seekers, most of whom are inexperienced speculators.

The high level of speculation alone increases the risk when trading SPCE shares, especially when you combine that with 0 revenue and negative income for the rest of this year at least.

Looking back, Virgin Galactic was one of the first major companies to utilize a special purpose acquisition company (SPAC) to go public, rather than a traditional IPO. This unconventional public offering method was used because of its lack of financial visibility. There has since been a rise in SPAC listings which has attracted the attention of regulators; in some cases, this has led to negative comments which I have followed closely as it can turn large financial institutions off investing which could drive such stocks down.

A big positive was both the test flight in May and the successful launch of the first fully crewed flight in July, making founder, Richard Branson, first in what had been touted as the Billionaire space race. The company announced that it would be launching its first commercial flight in 2022 for \$250,000

per seat, given the interest in this stock from speculative investors there will be plenty of opportunity for both experienced investment managers and or skilled traders to bank gains later this year especially since Virgin Galactic will be launching further test flights in the coming months.

The takeaway

It would take an immense appetite for risk to buy and hold this stock with the massive swings in value combined with delays and setbacks. Fortunately, I had foreseen these issues before they became well publicized and opted to trade the stock, reducing risk, as always, for those invested. A simple look at the recent moves in SPCE shows a loss of 44.17% over the past month, by adhering to our trading strategy 888 avoided such devastating losses, we began to average into the collapse and as such in the same period 888 was down just 3.8%, this less than a tenth of SPCE's dramatic fall back.

Looking forward, SPCE will need to display strength as it nears the next earnings release, the data is expected to be declared on the 5th August, 2021. In this report, our analysts are expecting SPCE to post earnings with no marked growth from the same period last year.

Changes to analyst estimates for SPCE should also be noted by the speculative retail investor but often due to lack of experience they most often aren't. This is to their detriment, as any recent revisions tend to reflect the latest near-term business trends. As a result, one can interpret positive estimate revisions as a good sign for the company's business outlook going forward.

Longer term

Virgin Galactic's stock could skyrocket if it proves a long-term plan of flying people around the world at hypersonic speeds. Morgan Stanley had forecasted \$800 billion in annual sales for hypersonic travel by 2040. So basically, Virgin Galactic are in the early stages of exploring how to use these technologies they've developed for space tourism and apply them to hypersonic travel which could totally revolutionize this sector and with it potentially produce massive gains for investors.

Starting next year, a viable space tourism business should pay off, but, very importantly, the technologies tested developed and fine-tuned could give Virgin Galactic the chance to disrupt the multi-trillion-dollar airline industry, which in turn could prove very rewarding for those invested long term. In short, SPCE shares feature something of a biotech-type risk/reward. Cutting to the chase, today's space tourism business serves as a funding strategy and innovation catalyst to enable tech for the hypersonic point-to-point air travel opportunity. This is no pipe dream; Virgin Galactic are already way down the road and have for years been exploring how the technologies it developed for space tourism might apply to hypersonic travel. This is exactly why Boeing joined Virgin Galactic, doing so through its venture arm HorizonX, who recently invested \$20 million into the company specifically to explore hypersonics, and there has been rumour that they are currently considering increasing their stake significantly.

Many investors may feel that high-speed hypersonic air travel as an opportunity is the icing on the cake. I predict that it could very well turn out that hypersonic travel is both the cake and the icing, with Space Tourism then the oven to keep things warm and cozy as we go along.

The goal for Virgin Galactic this year is safety, which is why we saw delays in testing, and how to stay well-funded. This is a key catalyst over the next few months, that is until they announce the date of the first paying customer to space, which will almost certainly cause a strong speculation in the stock yet again. Once they return to earth without issue, we could see the highest price set. As a well-

known events trader, I will of course take the opportunity to potentially add further to the gains to date.

In closing, I am vigilant and stay fully up to date on all statistics and potential opportunities which would create an opportunity to trade and bank gains for those invested, but, at the same time, I am very aware of the dangers. There are many risks and unknowns to this unfolding story which include the possibility of fatal accidents, regulatory obstacles, limited market acceptance, insufficient economics, and liquidity constraints. I will endeavor to trade so as to offset the risks.

William Gray
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