



Aug 7, 2018

Robert Cardillo
Chairman of the Board
National Geospatial-Intelligence Agency
7500 GEOINT Drive
Springfield, Virginia 22150-7500

Dear Robert:

As a Director of the National Geospatial Intelligence Agency (“NGA”), I am writing to you about Maxar Technologies, formed by the acquisition of DigitalGlobe by MacDonald Dettwiler (“Maxar” or “the Company”). Spruce Point Capital Management urges you to conduct a formal review process of the NGA’s EnhancedView SLA contract with Maxar. Spruce Point has conducted an independent forensic financial investigation of the accuracy of the Company’s financial reports and public statements. In our opinion, Maxar’s management has not been transparent and truthful with its public constituents. It is obvious to us that Maxar is struggling to cope with the rapid decline of its Space Systems (satellite) business, burdened by \$3.7 billion of adjusted debt (inc. \$200m of annual interest expense), with limited free cash flow, and depending on the stability of the DigitalGlobe’s contract with the NGA for its survival. Maxar is currently rated B1/Stable and BB/Negative by Moodys and S&P, two corporate credit rating agencies. These ratings are indicative of “Junk” credit status and should give the NGA concern about the long-term viability of Maxar as a counterparty.

The backdrop of financial stress creates incentives for management to cover-up problems to protect their jobs. We conducted a forensic financial investigation based on publicly information and believe that Maxar’s financial reports appear misleading, do not provide investors, creditors and the public an accurate view of its dire financial condition. In light of Maxar’s claim that it produces \$4.75 of Adjusted EPS, our key concerns are outlined as follows:

1. Maxar appears to have engaged in a multi-year accounting scheme to inflate its earnings through the aggressive capitalization of intangible asset acquisitions. By normalizing Maxar’s results to industry peers, we estimate this practice has resulted in \$50 million per year of earnings overstatement
2. In the process of accounting for the DigitalGlobe transaction, Maxar inflated its intangible asset accounts even further by suspiciously impairing the value of DigitalGlobe’s satellites (without explanation), and marking up the value of intangible assets by a corresponding \$1.1 billion
3. Maxar’s use of Non-IFRS metrics are overly aggressive. For example, Maxar’s movement of \$1.1 billion of value from satellites to intangibles, and its claim that acquisition-related amortization expenses should be excluded from earnings, appear to be a massive accounting charade. We estimate this brazen maneuver inflates earnings by an additional \$87 million per year
4. Management is rapidly losing credibility, not only for failing to hit financial targets, but also by backtracking on earlier statements that enable it to inflate results further. For example, Maxar’s move in Q1 and Q2’18 to extend the useful life of satellites (thereby reducing depreciation expense) contradict an earlier statement that no depreciation changes would be necessary. Management also said there were no IFRS/GAAP accounting differences for DigitalGlobe, only later to boost revenue growth by mid-single digits, and EBITDA by double digits by changing imputed interest accounting
5. None of these tactics would be much of a surprise if CEO Howard Lance accurately portrayed his biography. Instead, it appears he has obfuscated key information from his biography necessary for the public to see his association with accounting and financial failures. For example, he fails to disclose his roles as Chairman of the



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Board at Change Healthcare Holdings through 2017, and Harris Stratex (Nasdaq: HSTX, now called Aviat Networks). Both companies blindsided investors when informing them that the financial statements could not be relied upon, and material weaknesses of financial controls existed. Given our documented concerns noted above, we believe his failure to disclose these facts are a material omission, and the Board should consider terminating his position

The full research report can be downloaded at www.sprucepointcap.com. We hope the Board carefully evaluates our research, and takes appropriate actions if necessary. We are in strong support of more transparency and accountability from managers of public corporations, and a proper functioning Board provides critical oversight. For full disclosure, funds managed by Spruce Point Capital Management hold a short position in shares of Maxar and stand to benefit from a decline in the share price. Thank you very much for your consideration.

Regards,

Ben Axler

Founder and Chief Investment Officer