Why Maxar Technologies Ltd. Plunged 12.53% on Friday

Description

Maxar Technologies Ltd. (TSX:MAXR)(NYSE:MAXR), one of the world's leading providers of advanced space technology solutions for commercial and government markets, announced its fiscal 2017 fourth-quarter and full-year earnings results after the market closed on Thursday, and its NYSE-listed shares responded by plunging 12.53% on Friday.

Maxar's stock now sits about 24% below its 52-week high of $67.30 reached back in December, so let's break down the earnings results and the fundamentals of the stock to determine if we should consider using this sell-off as a long-term buying opportunity.

The results that ignited the sell-off

Here's a quick breakdown of eight of the most notable statistics from Maxar's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Space Systemsrevenues	US$284.1 million	US$339.2 million	(16.2%)
Imagery revenues	US$199.3 million	US$10.6 million	1,780.2%
Services revenues	US$61.7 million	US$26.8 million	130.2%
Consolidated revenues	US$545.1 million	US$376.6 million	44.7%
Adjusted EBITDA	US$180.9 million	US$66.3 million	172.9%
Adjusted earnings	US$66.5 million	US$38.6 million	72.3%
Adjusted earnings pershare (EPS)	US$1.19	US$1.06	12.3%
Weighted-averagenumber of commonshares outstanding –diluted	55.9 million	36.5 million	53.2%

And here's a quick breakdown of nine notable statistics from Maxar's 12-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Fiscal 2017	Fiscal 2016	Change
Space Systems revenues	US$1,259.6 million	US$1,417.2 million	(11.1%)
Imagery revenues	US$228.4 million	US$41.0 million	457.1%
Services revenues	US$143.2 million	US$99.3 million	44.2%
Consolidated revenues	US$1,631.2 million	US$1,557.5 million	4.7%
Adjusted EBITDA	US$378.7 million	US$267.6	41.5%
Adjusted earnings	US$172.0 million	US$159.5 million	7.8%
Adjusted EPS	US$4.16	US$4.37	(4.8%)
Order backlog	US$3,321.2 million	US$1,776.8 million	86.9%
Cash flow from operations	US$205.9 million	US$130.4 million	57.9%

Or maybe its outlook was to blame…

In the press release, Maxar provided its outlook on fiscal 2018, calling for the following results:

- Revenue decline of 2-4%
- Adjusted EBITDA margin of approximately 32.5%
- Adjusted EPS of US$4.50-4.70
- Cash flow from operations of US$300-400 million

Was the sell-off warranted?

Maxar achieved very strong revenue growth in the fourth quarter thanks to its strategic acquisition of DigitalGlobe, but its performance in the full year of 2017 was decent at best, and its outlook on fiscal 2018 calls for negative revenue growth, so I think the sell-off in its stock was warranted.

What should you do now?

Even though I think the sell-off in Maxar's stock was warranted, I think it has led to an attractive entry point for investors with a long-term mindset for two fundamental reasons.

First, it's wildly undervalued. Maxar's stock now trades at just 12.3 times fiscal 2017 adjusted EPS of US$4.16 and a mere 11.1 times the median of its EPS outlook of US$4.50-4.70 for fiscal 2018, both of which are very inexpensive given its explosive long-term growth potential.

Second, it has a dividend yield of over 2%. Maxar pays a quarterly dividend of $0.37 per share, equating to $1.48 per share on an annualized basis, which gives its stock a very respectable 2.3% yield; this dividend is also very safe when you consider that the company generated US$205.9 million in operating cash flow and paid out just US$47.4 million in dividends in 2017, resulting in an ultra-conservative 23% payout ratio.

With all of the information provided above in mind, I think Foolish investors should consider using the earnings-induced sell-off in Maxar Technologies's stock to initiate positions with the intention of adding to those positions on any further weakness in the trading sessions ahead.

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