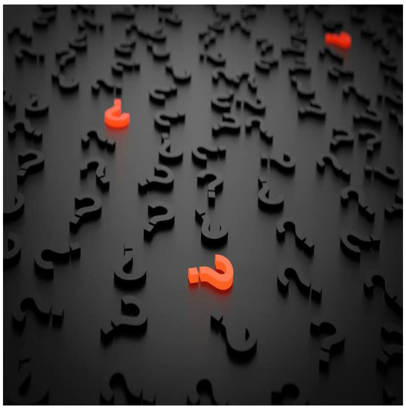

Maxar Technologies Ltd. (TSX:MAXR) Stock Is Down 50% Over the Past Month: Is it Time for Investors to Throw in the Towel?

Description

Maxar Technologies (TSX:MAXR)(NYSE:MAXR) stock has dropped 49.5% month over month as of close on November 5. Shares are now down 73% in 2018. The stock suffered a dramatic plunge following the release of the company's third-quarter results.

Before we dive into the earnings release, it is worthwhile to look back at what plagued Maxar up until late October. Maxar was the target of a short-selling campaign that emerged in early August from the firm Spruce Capital Management. The firm said that Maxar's dividend was at risk and projected that it faced "100% downside risk" due to "poorly timed acquisitions with no free cash flow" and "earnings overstatement." Back in early October, I'd targeted Maxar a "risky" buy-low opportunity.

Maxar's RSI fell to 11 as trading concluded last week. This put it well into oversold territory as far as its technicals are concerned, but recent struggles will give even bold investors pause. Investors have seen other stocks climb from big deficits after short-selling campaigns. Take **Shopify**, which was targeted by Citron Research and driven to 52-week lows in the prior year. It has since reached all-time highs this summer but has wrestled with volatility.

Maxar's management responded to the short-selling report and reaffirmed its full-year guidance for 2018. It accused Spruce Point of being motivated entirely by profit, while also reiterating its intention to maintain its dividend going forward.

Maxar released its third-quarter results on October 31. The company reported a net loss of $432.5 million, including $383.6 million in impairment losses and inventory obsolescence. Excluding impairments, Maxar reported a net loss of $0.83 per share. The acquisition of DigitalGlobe boosted consolidated revenues year over year to $508.2 million, contributing $230.7 million to the total. However, these numbers still fell below analyst consensus estimates.

The company now forecasts revenues on a pro-forma basis to decline 6.5% from 2017 due to a lower expected outlook in its Space Systems and Services segment. This outlook was reportedly impacted by lower GEO Comsats's order activity and higher-than-expected costs. Maxar now projects adjusted earnings per share between $4.05 and $4.10 and adjusted EBITDA margins around 32%.

Spruce Point Capital was vindicated by the report, but even ignoring its correct accounting call leaves Maxar in a precarious position. Its results disappointed across the board. Adjusted earnings per share of $0.75 also came in short of expectations. Maxar declared a quarterly dividend of $0.37 per share, which represents a 6.6% yield.

Maxar is now faced with the decline of its GeoComm business after it lost out on a major deal to build an Israeli satellite. The company now seeks to dump its Palo Alto real estate and its GeoComm business going forward. Management has reiterated its confidence in other sectors and in its long-term outlook.

Is Maxar a buy today?

Maxar's technicals indicate that it is strongly oversold after its Q3 earnings release. The company has suffered a serious setback, but the stock should rebound, as Maxar looks to reorient and sell off its struggling GeoComm business.

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