This Technology Stock, Down 71% in 2018, Is a Strong Speculative Buy

Description

Shares in Canadian technology company **Maxar Technologies** (TSX:MAXR)(NYSE:MAXR) are down 71% so far in 2018. That fall was accentuated two weeks ago with the stock plummeting 42% on disappointing earnings results.

It seems that investors have begun to lose (or have already lost) their patience with the company's ambitious turnaround strategy.

But even while several ratings firms have lowered their price targets for MAXR's stock following the latest earnings release, most remain in agreement that the company represents very compelling (if not a little speculative) value at these levels.

Part of the reason that MAXR has struggled to gain traction this year is thanks to a publicly waged short-selling campaign on the part of Spruce Capital Management reportedly claimed that Maxar's shareholders faced "100% downside risk."

Now that seems a little hard to believe in light of the fact that even despite its disappointing third quarter, the space technology company still managed to generate adjusted operating cash flows of $91.9 million and adjusted free cash flows of $29.2 million.

That still puts the company in an enviable position of being able to cover its annual dividend of $1.48, not to mention that based on its third-quarter adjusted earnings of approximately $0.75, that works out to a dividend-payout ratio below 50%.

The concern would be that there are a lot of things happening right now at the company that make its future a whole lot less than "certain."

That includes declines in its GeoComm business and a lot of unknowns as it relates to the relocation of its headquarters to the United States in order to meet the requirements to begin placing bids for U.S. defence contracts.

But even with those unknowns, many analysts remain committed to the stock.

Following the third-quarter results, **CIBC** lowered its price target for MAXR from $69 to $38.50.

That's a steep drop, sure, but keep in mind that $38.50 would represent 61% upside from Friday's closing price on the TSX Index.

An **RBC** analyst came out following the results and maintained his "outperform" rating on the stock, suggesting the opportunity for investors to accumulate stock in the company at current levels.

Meanwhile, two more ratings firms, Canaccord Genuity and TD Securities, while acknowledging the inherent risk, have maintained the company as a “speculative buy.”

Bottom line

The irony, of course, is that it’s all too easy to be fooled (note the small “f”) by the masses.

With the stock now at eight-year lows, short-sellers circling the stock, and some — albeit not particularly credible — rumours of an eminent dividend cut, things haven’t looked this bleak for the company in a long time.

Yet the sky is darkest right before the dawn.

Investors who’ve managed to avoid last month’s sell-off may consider themselves fortunate, but may owe it to themselves to take a fresh, uninhibited view of this company and its long-term prospects to see if the outlook for this Space 2.0 stock, complete with its 6.22% dividend, is the right move for them right now.

Fool on.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:MAXR (Maxar Technologies)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing
3. Tech Stocks

Date
2025/09/09
Date Created
2018/11/15
Author
jphillips