



## This Stock Could Soar in 2019

### Description

Back at \$40, after the massive drop in its share price, I thought **Maxar Technologies** ([TSX:MAXR](#))([NYSE:MAXR](#)) was a pretty good deal. At that price, the stock looked pretty cheap, and the dividend was appealing. I was drawn to the company's focus on technology, space, robotics, satellites, and space propulsion systems. What wasn't to love?

Wow, was I wrong. The stock has done nothing but fall since that time, hitting a low of around \$7 in recent days. That appealing dividend has gone from a healthy 5% or so to a massive 17% yield — a huge, flashing “proceed-with-caution” sign put up by the market. At that level of yield, investors have to be thinking a cut might be on the way.

But even without the debt situation, the company is having some difficulties. Recently, the company received some devastating news regarding its Worldview-4 [satellite](#). The satellite, worth millions in book value and revenue to the company, is essentially scrap metal in space. At a time when Maxar is already struggling to gain traction, that news was not at all welcome.

However, the satellite is largely insured, so much of the book value will most likely be recovered as cash. The company also has other revenue-generating satellites that will continue to produce. This satellite only represents a portion of revenues from one of the company's four business segments.

All signs point to how cheap this stock is. It is trading at a trailing price-to-earnings ratio of 2.59 and its price to book is at 0.4. Of course, the satellite failure will most likely be a blow to the company's earnings through both the write-down on its book value and the hit to its revenues. Potential investors might want to see how the fallout settles before getting into the name, depending on their risk tolerance.

The problem is its debt — an issue that I noted when I first looked at the stock when it was trading at \$40. Previously, while the debt was frightening, the company assured investors that it had the cash flow to cover its obligations. Unfortunately, rising interest rates and the loss of revenues from the Worldview-4 satellite seem to have scared shareholders into dumping their holdings. Therein lies the downside of leverage.

In the end, it really depends on your view of the future of the company and space-based businesses. At this point, if you want to sacrifice \$8 a share in mad money, there might be a chance at a [massive capital gain](#). Of course, if things continue the way they are going, then you might lose it all. This stock

is a gamble, but if you have some extra cash lying around, it might pay off handsomely.

Maxar has had a string of bad luck, bad publicity, and a collapsing share price. While the company has not yet alluded to any cuts on the dividend, the market seems to be feeling that a reduced dividend is a possibility. Nevertheless, the space technology business is very appealing to a space junky like me. At this point, it might be worthwhile to roll the dice on this company and its future.

## CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

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1. NYSE:MAXR (Maxar Technologies)

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