



Has This Deeply Oversold TSX Index Tech Stock Finally Bottomed Out?

Description

With the company's share price up more than 15% in last week's trading, has the time finally come for a recovery in **Maxar Technologies** ([TSX:MAXR](#))([NYSE:MAXR](#)) stock?

It's been a long time coming...

2018 wasn't exactly a great year for Maxar and that would be putting it extremely mildly.

Despite starting the year trading at more than \$77 per share on the TSX, Maxar's stock price is now trading for less than \$10 per share.

What went wrong at the communications and satellite technology company?

It all started when the company made an aggressive decision to re-position itself away from its (now) legacy communications satellite business.

That business had always been one characterized by surges and drop offs in quarter-to-quarter sales for new orders, but it got to a point where management made the decision that the risks in continuing to reinvest new capital in the business began to outweigh the expected rewards.

Instead, management made the decision to re-position itself away from what it felt was an industry with a less-promising outlook in favour of redirecting those funds towards building a business focused on developing security and defence technology for the U.S. Department of Defense (DoD) and its associated agencies.

Yet that move would not come without costs.

In order to comply with certain DoD regulations, Maxar needed to relocate its corporate headquarters south of the U.S. border and conduct several other major corporate restructurings to be in compliance

with the requirements for bidding on U.S. defense contracts.

Among these included, in the fall of 2017, Maxar purchased one of its U.S. competitors, DigitalGlobe, for proceeds of \$2.4 billion.

In many cases, it can years, if not decades, to uncover the true value acquired in major M&A transactions, but at least so far [Maxar has been paying dearly](#) for its acquisition of DigitalGlobe.

The fact that the company added more than \$2 billion in debt in association with the DigitalGlobe deal, more than tripling the outstanding liabilities on its balance sheet, resulted in it posting its first annual net loss in more than 10 years in 2018; that it posted its first annual free cash flow deficit in five years during 2018 certainly hasn't helped things either.

Maybe that's where the beauty of an investment in Maxar stock lies

Despite posting its first net loss in more than 10 years during 2018, the company also posted a new record for sales generated during the year.

Meanwhile, this is a business where Maxar places bids on projects it is competing for on an ex-ante basis, meaning that so long as it can execute on budget, there's little to no reason to believe it shouldn't turn a profit on future sales.

It only makes sense that in a year like the last one, where the company was busy undergoing several major organizational restructurings, including a more than \$400 million goodwill impairment during the fourth quarter, that things could, in fact, appear worse than they really are.

Bottom line

Analyst are currently calling for Maxar to generate \$1.69 in earnings per share during 2019, implying a forward price-to-earnings ratio of just 3.69 times.

Granted, that will be a tall ask coming off the type of year that 2018 was.

But if management can pull it off, Maxar Technologies could just prove to be one of the more lucrative [deep-value plays for Canadian investors in 2019](#).

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