Is it Too Late to Buy Maxar Technologies (TSX:MAXR) Stock for a Turnaround?

Description

Just after I wrote about how to get over a bad investment using **Maxar Technologies** (TSX:MAXR)(NYSE:MAXR) stock as an example, the stock popped 24% on Friday.

What was the huge stock price appreciation about?

When Maxar lost one of its satellites early this year, the stock decline about 50% over two trading days.

How meaningful was the satellite to Maxar's top line? The satellite generated revenues of about US$85 million in 2018. This revenue amount is nearly 4% of the revenue Maxar generated from the last four reported quarters.

The huge stock appreciation was due to the news that Maxar will get a full payout of the US$183 million that it claimed for the lost satellite from its insurance carriers.

This news came a day after the good news about Maxar gaining traction for its geospatial subscription products line. Specifically, over the past year, the space technology company had doubled the number of customers for its subscription data products line, which includes SecureWatch, EarthWatch, Spatial on Demand and GBDX.

The press release stated, "With Maxar's cloud-based geospatial subscription products, a wide variety of customers are solving location-based problems by leveraging premium content that includes the world's highest resolution, most accurate commercial satellite imagery. Customers can log-in on any internet-connected device to securely use imagery and analytics of any place on the planet and they only pay for what they view, stream or download."

Is it too late to buy Maxar stock for a turnaround?

The short answer is no, it's not too late to buy Maxar stock for a turnaround if you believe it to be a great contrarian play. That's because there are still lots of things for the company to improve on.

For example, Maxar should focus on improving its core operations, including spurring growth and reducing costs where appropriate. Additionally, it's swimming in debt. So, it will benefit from some serious deleveraging.

Last year, Maxar's revenue was US$2.1 billion and its adjusted EBITDA margin was 22%. By focusing on growing its core business, it can spur top- and bottom-line growth. And cost reduction can lead to higher margins and profitability.

At the end of 2018, Maxar had US$3.1 billion of long-term debt, and it had a net debt to EBITDA of about 6.6. Reducing its leverage ratio to even under 4.5 times will make it a much more investable, lower-risk stock.

With the high volatility in the stock, investors could very well be able to pick up the stock on a meaningful dip in the future. The stock can be especially volatile around earnings time.

Since Maxar will be reporting its first-quarter results on Thursday after the stock market closes, prudent investors can make a decision on whether to invest in the stock after the report, which should give more clarity on what to expect from the company this year.

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