



This Hugely Oversold Tech Stock Just Shot Up 24%!

Description

Shares in space technology company **Maxar Technologies Inc** ([TSX:MAXR](#))([NYSE:MAXR](#)) shot up more than 24% on Friday on the news that it stands to receive the benefit of a \$183-million dollar insurance settlement arising from the failure of its WorldView-4 satellite.

The expected \$183 million settlement represents a full payout of Maxar's claim for the losses it suffered as a result of the WorldView-4 satellite on-orbit failure, and is at the very least a significant sum of money for Maxar, which, headed into Friday's trading, is valued at a mere \$420 million.

In announcing the news, Maxar says it plans to use the proceeds "to invest in its pre-existing capital priorities, including the development of its innovative WorldView Legion constellation."

Frankly the announcement couldn't really come at a better time, with the company emerging from a \$1.2 billion loss for the fiscal year ended December 31, 2018.

Yet for those investors willing to do a little digging for deep value, the announcement probably couldn't come at a better time for them either, with MAXR stock having fallen nearly 90% since the beginning of 2018.

2018 was certainly a year to forget for the Space 2.0 company as it struggled to maintain investor confidence amid a massive organizational overhaul that's seen it acquire Digital Globe in 2017 for \$2.4 billion, relocate its headquarters to the United States, and take a \$883 million impairment charge during the fourth quarter.

But looking ahead, the sky certainly seems to appear brighter.

Despite struggles in its legacy comsat or communications satellite business, Maxar picked up some solid assets with its acquisition of Digital Globe, not including the relationships it acquired with the deal, which it hopes to be able to leverage into more lucrative U.S. Defense spending contracts.

In light of the fact that at the time, Digital Globe was valued at \$2.4 billion with an enterprise value of \$4.7 billion, while Maxar, even after accounting for Friday's 24% spike, was still trading at an enterprise

value of just \$3.5 billion at writing, suggests that even if it did overpay for Digital Globe, the market is not really assigning any value at all to the rest of the business.

Not to mention that Maxar's trailing dividend yield sits at a whopping 16.93%. When you consider that following the latest settlement, the company is about to deposit another \$183 million in the bank, it's difficult to suggest that a dividend cut is about to come down the pike, although it certainly could happen.

At a 16.83% [dividend yield](#), Maxar isn't getting much credit from the market, and one has to wonder what the motivation would be to continue paying out such a large percentage of the firm's overall value in the form of a regular dividend.

If MAXR stock were to continue to build of this latest momentum, perhaps the company's board of directors will stand by the current payout. However, there's frankly just no way of telling.

Regardless of whether the company decides to maintain the current distribution, this is certainly a stock with some real momentum behind it — and one that investors will want to be following carefully in the coming weeks.

Maxar Technologies is scheduled to report its [first-quarter earnings results](#) after the market closes on May 9.

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Date

2025/09/08

Date Created

2019/05/06

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