Is it Time to Jump Into Maxar Technologies (TSX:MAXR)?

Description

After taking it on the chin for the last few months, it appears **Maxar Technologies** (TSX:MAXR)(NYSE:MAXR) might be on the mend. If you had thrown some mad money at it when the stock was sitting at the $6-a-share range, you will be well on your way to doubling your money. Does this mean the stock is finally on the upward march and investors should step in? Or should you protect your capital and stay away from this risky stock?

This is a stock I really want to love. It is involved in space travel, robotics, and other high-tech areas that are fascinating. When I look at this company, it feels like I am investing in the future, and that appeals to me.

The downside is that this company is both saddled with debt and a heaping helping of bad luck. The leverage it has on its books is significant — so significant that the delicate nature of its balance sheet is one of the reasons for the original collapse in the share price several months back. The WorldView 4 satellite failure was a stroke of terrible luck at a horrible time. With investors already nervously dumping the leveraged stock, the failure of one of its major revenue streams at a time when the company needed all the cash flow it could muster was a major hit.

I have to admit I took a swing at it when it was in the $8-a-share range, but I promptly dumped the stock when it announced the dividend cut. At the time, I thought there might be a chance that the sell-off might be overdone and a bounce would perhaps be in order. And while I didn't have a tonne of confidence in the dividend, I was hoping to collect a payment or two before it got the axe.

After all, even when the satellite failure was first announced, the company was quite certain that it would be able to recover the cost of losing the satellite quite quickly. That turned out to be the case, which is one major reason for the original bounce in the share price we saw last week. Another reason for the increase in the share price was the company's implementation of a new tax benefit preservation plan that was received favourably by investors.

It’s also difficult to buy Maxar at the moment given its poor results. Revenues shrank from $557 in the first quarter of 2018 million to $504 million a year later. The company also reported a net loss in earnings of ($0.99) a share. These results do not exactly inspire confidence at the moment. It will be vital to see what happens in the upcoming quarters to see if things are starting to turn around.

Is Maxar a buy?

As I said earlier, there are so many appealing factors relating to this business. Its space-focused strategy is something I really want to be a part of. Unfortunately, the leverage, decimated dividend, and uncertain future makes this an investment I will stay away from for the time being. Mad money might do well on this stock, but I’d like to see a stronger balance sheet and some good quarters before I shoot for the moon.

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krisknutson