



NASA Picked This Space Company: Should You?

Description

Nearly six decades after the first moon landing, the world is gearing up for yet another space race. However, this time corporations and billionaires are in the lead rather than government agencies.

America's flagship space agency NASA recently got an expanded budget and decided it was time for humanity to set foot on the moon yet again. The Artemis program could send astronauts to our closest celestial body by 2024. However, NASA isn't working on the historic mission alone. The agency has partnered with a number of space startups and corporations for the project.

One of the biggest partners is Canadian space conglomerate **Maxar Technologies** ([TSX:MAXR](#))([NYSE:MAXR](#)). Maxar will help the agency develop and test a new type of spacecraft that can serve as a lunar outpost for future astronauts. The so-called Gateway platform will require power, propulsion, and communications elements supplied by Maxar's team.

Striking this deal with the world's most famous space agency propelled Maxar to the mainstream spotlight last month. The stock has more than doubled over the course of the second quarter on the back of this news.

It's no coincidence that the deal was announced shortly after Maxar officially moved its headquarters from Canada to the United States. As I mentioned in an earlier article, being [domiciled in the States](#) allows Maxar to bag government contracts and national security-sensitive deals with American corporations.

American companies, billionaires, and government agencies are still the largest customer in the nascent space technology industry. Maxar's move positions it at the epicentre of an industry that is likely to experience explosive growth over the next few decades. According to **Morgan Stanley**, the market could be worth \$1.1 trillion soon.

Space is a thrilling new sector of the economy that could be an engine of wealth creation for millions of savvy investors, but it's worth noting that investors are as pessimistic about Maxar's prospects as they are excited about the industry's future.

Maxar stock has been in a tailspin over the past few years, plummeting from nearly \$100 in 2015 to less than \$9 now. The key issue is the company's humongous debt load. Management borrowed heavily to acquire companies and now the firm is saddled with \$5.8 in debt for every dollar in equity.

Many of the largest debt repayments are due soon, which means the company is fast approaching pivotal moments over the next few years. Expectations of a potential bankruptcy have left the stock trading at 85% of book value and a mere 23% of annual sales.

A deep dividend cut this year didn't do much to bolster confidence, although I wonder why the company pays a dividend at all.

Bottom line

The new space race is likely to create tremendous value for early investors, but Maxar's financial position and the nature of its industry makes it a highly speculative bet that's unsuitable for most investors.

However, the recent deal with NASA may be a sign the company is ready to dig itself out of this predicament. Investors should monitor the stock for signs of new deals, better cash flow, and debt reduction over the next few years.

CATEGORY

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TICKERS GLOBAL

1. NYSE:MAXR (Maxar Technologies)

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