



Why Maxar Technologies (TSX:MAXR) Has Been Crushing the TSX Index in the 2nd Quarter: Up 81%

Description

Shares in [space technology](#) company **Maxar Technologies** ([TSX:MAXR](#))([NYSE:MAXR](#)) are back off to the races again, up more than 81% so far in the second quarter alone and vastly outpacing the returns of the broader TSX Index, which is up just 1% for the quarter to date.

But following what was a disappointing 2018 for the company — and that's putting it extremely mildly; MAXR's shares price lost more than 90% of its value at one point between early 2018 and its 2019 lows — there were many of us here at The Motley Fool Canada who felt like the type of recovery we're seeing now in its stock price would be more a matter of "when" rather than "if."

But nevertheless, it is nice to see the Canadian tech company finally getting a lift from improving investor sentiment, as it shifts from being predominantly a communications satellite provider to a company now primarily focused on tapping into the emergent demand on the part of major G20 governments wanting to keep a proverbial eye on what's happening down at ground level.

On June 3, Maxar announced it had been awarded a study contract with the U.S. National Reconnaissance Office for Commercial Imagery Capabilities (NRO).

While it had already announced a three-year extension of its existing EnhancedView Service Level Agreement (SLA) with the NRO in November 2018, the company is as confident as ever that the latest contract award reinforces the U.S. government's commitment towards demand for commercial satellite imagery.

The latest one-year contract with the NRO will allow the U.S. government to further research and assess the company's capabilities, costs, and reliability as it relates to things like satellite hardware, space robotics, satellite and systems integration, and geospatial data products and platforms.

But while it certainly appears as though sentiment towards the company is starting to reverse course, investors can still look forward to what will more than likely be some rocky times ahead.

For the foreseeable future anyway, management will remain tasked with the goal of deleveraging the

organization following its \$2.4 billion acquisition of Digital Globe in 2017.

And while the investments in its imagery business will eventually, it hopes, translate into higher margins in the long term, in the short term Maxar expects revenues from its imagery division to remain flat this year. The medium-term outlook remains largely dependent on whether or not customers like the U.S. Department of Defense ultimately decide to adopt the company's technology.

Foolish bottom line

Despite what have been overpowering headlines over the past couple of years, the future remains bright for Maxar.

Satellite imagery remains a large and growing market for customers like the U.S. Department of Defense with their deep pockets.

Meanwhile, the transition towards a lighter, less capital-intensive business model should help to drive not only higher margins but also stronger returns on invested capital.

This is a story that has proven to require not only courage but patience on the part of investors, yet those who have been willing to hang in there with their investment have found themselves [handsomely rewarded](#) during the second quarter, with hopefully much more of the same to come.

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