Maxar Technologies (TSX:MAXR): Get Ready for a Massive Upside Correction

Description

Maxar Technologies (TSX:MAXR)(NYSE:MAXR) stock may be up more than 86% since the beginning of April, but depending on what unfolds next, there's a good chance that there could still be considerable room left for an upside correction in this space and satellite technology company.

To say that shares in Maxar Technologies (formerly MacDonald Dettwiler and Associates) have fallen on hard times lately would be a considerable understatement.

The company's TSX-listed shares have fallen from their 2015 all-time highs just north of $90 per share all the way to a few pennies more than $10 per share currently, with the lion's share of those losses coming over the past 12 months or so.

Following the acquisition of DigitalGlobe in 2017, the company was forced to massively expand the size of its balance sheet to fund the $2.4 billion purchase price.

It was (arguably) a necessary move to defend against softness in its legacy satellite businesses, but the end result was that investors flat out bailed on the company and its inability to deliver results in the short term, as it worked through the process of relocating its headquarters south of the border to be able to begin bidding on U.S. Department of Defense contracts.

And while there's still a significant amount of short interest in the stock these days, that might not actually be the worst-case scenario for speculative bulls.

Keep in mind that short-sellers open their position by first borrowing a stock to sell it, but to close out their position, they're then required to buy that position back in the open market.

This means that hypothetically, if a positive news event were to hit the market, it could run the risk of sending the "bears" scrambling to cover their short positions — a scenario that could lead to a sharp bid up in MAXR's stock price.

One possible such event for example, could be an announcement that management has secured a buyer for certain non-core assets.

It has some considerable debt maturities coming up over the next couple of years, so the announcement of a major asset sale could do a lot of quell investors' fears about the company's long-term future as a going concern.

Some have even speculated that it may even be considering the sale of its legacy Canadian business — a move that could fetch a significant price tag while allowing it to dedicate greater resources towards its higher-margin imagery segment.

Foolish bottom line

While the outlook for MAXR's future remains purely speculative following this spring's quarterly dividend cut to just a penny per share, Foolish readers may find that when a company like Maxar gets sold this far and this fast, sometimes it ends up being worth it to take a flyer on the opportunity by initiating a smaller position within their investment portfolios.

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jphillips