This Is the Riskiest Stock You Can Buy Today

Description

All investors want big upside, but not everyone is willing to take the necessary risk. If you want a chance to double, triple, or even quadruple your money, you need to check out **Maxar Technologies Inc.** (TSX:MAXR)(NYSE:MAXR).

In many ways, Maxar is the riskiest stock on the market. It's facing insolvency risk, fraud allegations, and crumbling profitability. Its stock price has declined by 80% over the past 12 months alone.

If you're like most investors, stay far away from this stock. However, if you're willing to stomach the risk, this is your chance to buy a true lottery ticket with the potential to rise by 500% or more.

Here's the problem

Before we get to how you can multiply the value of your investment several times over, we must cover why this deal exists in the first place. But don't worry—all of this will increase your odds of making a profitable bet.

Earlier this year, I chronicled Maxar's incredible fall from grace. From a share price of around $100, the stock cratered to under $10 apiece, and they still haven't recovered. The problem is multi-fold, and management deserves a hefty share of the blame.

In a nutshell, Maxar makes tech for space applications, anything from satellites and robots to imaging and logistics hardware. This is a quickly growing market, but it's not without risk.

A single piece of failed equipment can torpedo a multi-billion contract. Maxar has an impressive 60-year track record, but that didn't stop certain investors from questioning the executives' financial management skills.

In 2018, Spruce Point Capital Management revealed that they had shorted the company. That is, they bet that the stock price would drop.

They estimated that there was at least 50% or more in downside. While their near-term price target was just $20 per share, they highlighted how shareholders could eventually be wiped out completely.

In many ways, Spruce Point was exactly right in their prediction. The stock price fell precipitously and analysts now worry that the equity could end up worthless.

The most concerning aspect of Spruce Point’s thesis involves allegations involving severe financial mismanagement. They argued that executives were essentially cooking the books so that results appeared better than they actually were.

In total, this stock is broken on nearly all levels. There’s a good chance that bankruptcy is just around the corner. Nearly every investor has dumped the stock. If you’re willing to take a risk, however, this is a giant opportunity.

How to profit

Maxar currently has around $4 billion in long-term debt. With a $600 million market cap, that makes bankruptcy a real possibility. The company has posted a net loss in each of the last four quarters, so the financials have only eroded over the past 12 months.

Let’s say there’s a 50% chance that the company goes under, yielding an expected value of $0 per share.

But what if conditions improve? Many analysts believe that this is a real possibility. Next year, consensus estimates peg EPS at $2.60, which suggests a forward valuation of just three times earnings.

If this were to happen, bankruptcy risk would come completely off the table, potentially pushing Maxar’s valuation in line with the market. At 20 times forward earnings, shares would be worth $52 apiece, representing more than 500% in upside.

Assuming a 50% chance of a complete bankruptcy and a 50% chance of a return to normalcy results in an expected share price of $26, which gives you an expected return of around 250%. That’s not bad, but you’ll just need to stomach the 50% possibility of a total loss.

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Date
2025/08/25
Date Created
2019/08/10
Author
rvanzo