This TSX Stock Has the Most Upside in 2020

Description

If you're looking for a stock that can rapidly increase in value *several times over*, you've come to the right place. This stock pick has some big risks, but the upside potential is more than any stock on the TSX today. If things go right, it's possible that shares will rise by 200% or more next year.

Understanding the story is critical. Being a contrarian is a requirement. But if you're willing to take on extra risk for home-run potential, read on.

Crash and burn

In August, I called **Maxar Technologies** (TSX:MAXR)(NYSE:MAXR) "the riskiest stock on the market." In 2015, shares were worth more than $100 apiece. Today, they're not even worth $10. The company experienced a few equipment failures — a big deal when your contracts are worth billions of dollars and have zero room for error. But the biggest headwinds came in 2018 when Spruce Point Capital Management essentially deemed Maxar a giant fraud.

The firm's report believes Maxar "pulled one of the most aggressive accounting schemes Spruce Point has ever seen to inflate Non-IFRS earnings by 79%. However, with end markets weakening, and burdened by $3.7 billion of rising debt with almost no cash and free cash flow, Maxar must eliminate its dividend immediately, or risk wiping out equity holders."

In total, Spruce Point believed there was 50% immediate downside risk. Ultimately, "Maxar could be viewed as worthless," the report said. The stock ended up losing more than 90% of its peak value, and many analysts are starting to wonder if the equity actually *is* worthless.

Bet the rebound

I suspect many readers have already stopped reading and moved on to the next opportunity. I don't blame them—there really is a ton of risk here. But the fact that they won't touch this stock simply reinforces the mispricing. Sentiment has never been lower, even though there are some bright spots to this story. If you want to take advantage of market-wide fear, now is your chance.

On September 12, **JPMorgan Chase & Co.** rated Maxar stock as “overweight” with a US$12 price target. At the time, that price target represented more than 70% in upside. The stock popped 30% on the upgrade, but there could be significantly more room to run.

Despite the accounting issues, there truly is a strong underlying business here. Customers seem unfazed by the alleged accounting woes.

On August 19, Maxar won two contracts from the Canadian Space Agency to work on its Gateway External Robotic Interfaces project. The following week, it won a four-year deal with the U.S. National Geospatial-Intelligence Agency for its Global Enhanced GEOINT Delivery program. Days later, it received yet another contract from the Canadian Space Agency to help with a forest fire monitoring satellite.

In September, the company renewed a contract with an International Defense and Intelligence customer and was chosen by Airbus SE to build advanced navigation antennas for a new satellite.

With a new CFO and increased scrutiny, it’s likely that the previous accounting issues won’t be repeated. The strong business pipeline demonstrates that the underlying business remains attractive. The only remaining problem is Maxar’s outsized debt load. Maxar has roughly $4.3 billion in debt versus a market cap of just $750 million. Importantly, interest expense totals less than $70 million per quarter. Still, a large asset sale will likely be needed.

The stock is being priced as a bankruptcy candidate, but with a strategic asset sale, that risk can be taken off the table entirely. Recent reports suggest that Maxar could sell one of its business units to a customer for around $1 billion. If true, Maxar stock would have significant upside in 2020. There are scenarios where the stock price rises by 200% or more.

It’s a risky bet, but that’s why there’s so much potential upside.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:MAXR (Maxar Technologies)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing
2. Tech Stocks

Date
2025/08/24
Date Created
2019/09/22
Author
rvanzo