



Why Maxar (TSX:MAXR) Stock Has Tripled in 7 Months

Description

Last month, I predicted that **Maxar Technologies** ([TSX:MAXR](#))([NYSE:MAXR](#)) stock could have a [dramatic turnaround](#). This month it seems that pivot is in full swing.

Maxar's stock is up 67% over the past month and 200% since late March this year. In other words, savvy investors brave enough to make a contrarian bet on this shockingly risky stock earlier this year now have sizable capital gains.

However, Maxar's story is far from over. The company still faces immense challenges and existential risks over the next few years. If it can beat the odds and survive, long-term shareholders are likely to be handsomely rewarded. If not, the stock could crash much further than it already has since 2017. Here's a closer look.

Maxar's biggest challenge

Anyone who has ever witnessed a failed rocket launch knows the commercial space industry is fraught with risks. This is a capital-intensive industry with a high failure rate and immense technical challenges.

However, Maxar's biggest challenge isn't technical but financial. The company is the amalgamation of four different space technology ventures, some of whom were acquired by issuing debt. Now, the company's debt burden is threatening to bring down the whole business.

Currently worth \$3.4 billion, the company's long-term debt is nearly *five times* as large as the book value of its equity. \$685 million of that is due within a year, with other major repayments due shortly after. Maxar doesn't have the resources to meet those obligations at the moment.

Meanwhile, the core business is struggling and unprofitable, which makes it unlikely that the company can refinance or issue new shares to dig itself out of this hole. Bankruptcy within a few years is a very real possibility, which is why the stock has been punished so severely over the past few years.

The upside

However, doom is far from certain. This year, there have been signs that Maxar could restructure its debt and sell some assets to regain financial stability. Meanwhile, the company has been attracting major contracts from U.S. defence and space agencies since it moved its headquarters and domiciled in America this year.

With billions of dollars in potential revenue on its order book and a chance to spin off some assets to lower the debt burden, Maxar has a chance to survive and reward its shareholders.

In fact, survival could make it one of the few leaders in the commercial space race that is now heating up and could have [unlimited upside](#). Meanwhile, the stock has been beaten down so much over the past two years that investors now have limited downside, even if the company does fail to repay its debt.

Clever billionaires like Elon Musk, Jeff Bezos, and Sir Richard Branson have been pouring money into this industry, which is a clear signal of potential value that growth-seeking investors shouldn't ignore.

Foolish takeaway

No other industry is as exciting as the commercial space sector. However, Maxar's financial struggles have capped its potential and punished its stock. The company is now a high-risk, high-reward opportunity that is best suited to a risk-hungry investor look for a potential multibagger.

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