Maxar (TSX:MAXR) Stock Is Rocketing +20% on Sale Announcement

Description

Maxar Technologies (TSX:MAXR)(NYSE:MAXR) was up by more than 21% this week on news that the company was selling MDA, its subsidiary in Canada. The move will turn MDA into its own entity, and the purchase by private investors will net Maxar a cool $1 billion. For patient investors who had bought on weakness, the time to sell on strength may have finally arrived, while momentum investors have an opportunity to jump on and ride the upside.

For space industry bulls, the sale will see Maxar divest itself of the Canadian side of its business, which covers radar and space robotics among other cutting-edge tech initiatives. The standalone business created by the sale will employ just shy of 2,000 staff. For long-time Maxar shareholders, the news that the space tech company will clear significantly more of its mountain of debt is a welcome development.

CEO, Dan Jablonsky, stated, "The sale of MDA furthers execution on the company's near-term priority of reducing debt and leverage. It also provides increased flexibility, range, and focus to take advantage of substantial growth opportunities across Earth Intelligence and Space Infrastructure categories."

The company's CFO, Biggs Porter, added that the transaction "reduces Maxar's overall debt by more than $1 billion and significantly reduces Maxar's leverage ratio. We expect the net effect of all these factors to only reduce our prior guidance for adjusted EBITDA and free cash flow generation in the 2022 to 2023 time period by approximately $50 million."

Maxar stock initially jumped 3% on the news, as investors saw the space tech company finally getting its house in order. The rise has now turned into a full-throated rally and could see the stock finally head into the upper atmosphere for the long term.

A tale of two aerospace stocks

2019 was not **Boeing's** (NYSE:BA) year by any stretch of the imagination, meanwhile, and although its share price got a small, brief boost from news that the aviation giant would soon be under new management, 2020 might not be its year either. The stock has lost more than 10% in the last financial quarter, and though it jumped a few points on news of its sudden change of management, the rally was brief and not very significant.

That said, Boeing has the power to beat all expectations this year, and as one of the top five aerospace and defence companies, it's in a good position to reward investors that take a chance on a change of direction for the troubled aviator. Its 2.47% yield also gives the long investor a bit of regular spending money or a steadily compounding nest egg to sweeten the deal.

The bottom line

Boeing is relatively cheap at the moment, though as one of the foremost manufactures of commercial planes as well as military and space systems, this may not be the case forever. For aerospace bulls eyeing Boeing for a change of direction, now is as good a time to get invested as any. Maxar could have unlimited upside in 2020 and represents a strong play in a potentially vast growth sector.

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