



Why Maxar (TSX:MAXR) Stock Could Double in 2020

Description

Maxar Technologies ([TSX:MAXR](#))([NYSE:MAXR](#)) has been [skyrocketing for months now](#). The stock was up roughly 70% over the second half of 2019 and was up yet another 20% in the first two weeks of 2020. It seems to be riding the wave of optimism that is engulfing the technology sector at the moment.

However, Maxar's ride could be far from over. In fact, there is plenty of evidence to suggest this controversial stock has turned a corner and could double by the end of the year.

U.S. defence spending boost

The United States government is by far the largest customer in the space technology industry at the moment. U.S. interest in satellite launches and geospatial imagery has always been high, but it seems to have been flared up even more in recent years.

The Trump administration successfully convinced Congress to boost the Pentagon's defence budget for 2020. The department is expected to deploy a record-breaking \$750 billion to bolster national defence over the course of this year.

A significant chunk of this expanded budget is going towards space technologies. Congress has approved spending \$306 million to set up three new organizations: U.S. Space Force, U.S. Space Command, and the Space Development Agency. Another \$13.8 billion has been earmarked for space programs primarily overseen by the U.S. Air Force.

Since Maxar re-domiciled in the U.S. in 2018, the company is now able to sidestep national security concerns and secure these defence contracts. In other words, the team could be in for a windfall, and I would expect some major new deals to be announced as the year progresses.

Debt reduction

Securing new deals is an important catalyst for Maxar at the moment. The company has been struggling with a mountain of debt for years and needs the top line to expand so that it can start paying these obligations.

However, expanding sales aren't the only way to reduce debt. Maxar recently announced that it would offload its Canadian subsidiaries to a group of private investors. Financed by former **BlackBerry** co-chief executive Jim Balsillie, a consortium of private investors led by Northern Private Capital will acquire all Canadian and U.K. operations of MacDonald, Dettwiler and Associates, a subsidiary of Maxar.

The deal will unlock US\$765 million in cash for the firm that can be used to mitigate the company's debt burden.

Meanwhile, restructuring the struggling commercial geostationary orbit satellite business should lower costs and improve efficiency further. Altogether, it now seems like the company may avoid bankruptcy after all.

With lower debt and higher sales, the company can focus on capturing more of the space technology market that could be worth as much as US\$558 billion by 2026. In other words, Maxar's stock has plenty of room to double in 2020 and beyond.

Bottom line

Maxar's stock has had an incredibly volatile 2019. After the surge in valuation over the past few months, it's easy to assume the recovery is over. However, I believe the company has plenty of room for further expansion and recovery in 2020. Investors should probably keep a close eye on this widely unpredictable opportunity.

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