3 Reasons to Buy Maxar Technologies (TSX:MAXR) Stock Right Away

Description

Maxar Technologies (TSX:MAXR)(NYSE:MAXR) has probably been on every growth investors' radar for years. The potential of the commercial space industry is undeniably huge. Maxar was an early mover and is now one of the most well-established firms in the industry. However, Maxar stock paints a different picture.

Over the past few years, Maxar stock has steadily declined. Now, the company's market value is at an all-time low. That's despite the fact that other space-tech companies, such as **Virgin Galactic** and SpaceX, have seen their valuations surge. Maxar looks like the underdog, which might be a good reason for contrarian investors to take a closer look at it.

Here are three reasons growth investors with a healthy appetite for risk should take a deeper dive into Maxar stock in 2020.

Shift in direction

Maxar's key issue was debt. The company borrowed far too much money to power its acquisitions in recent years. The cost and size of this debt became a mortal threat to the company last year. Investors were worried about the company going bankrupt.

Fortunately, Maxar seems to have restructured and turned things around. It moved its headquarters to the United States, which allows it to win lucrative government contracts there. The team has also sold some of its assets and shut some segments of its business to cut costs. This has reduced debt considerably and boosted sales.

This turnaround pushed Maxar stock from $5.40 in 2019 to $22.65 today. If the turnaround continues, investors could be in for another massive windfall.

Growing investor excitement

Investor sentiment in the space-tech sector is thoroughly optimistic. SpaceX is one of the most valuable private companies in the world. Jeff Bezos has dedicated billions of his personal wealth to

Blue Origins. Sir Richard Branson's Virgin Galactic is worth US$4 billion and was recently worth as much as US$6 billion.

Savvy investors see Maxar stock as an underrated asset with similar potential. In fact, the stock is one of the biggest holdings in hedge fund manager Michael Burry's (of *The Big Short* fame) portfolio.

Burry is a notorious value investor, which means he probably considers Maxar an undervalued growth opportunity.

Maxar stock valuation

Maxar stock currently trades at just seven times earnings and offers a ludicrous 6.5% dividend yield. The stock also trades at a 16% discount to annual sales per share. Over the past year, Maxar has generated $360 million in operating cash flow. The company's market value is four times that amount. In other words, Maxar stock trades at a price-to-cash flow ratio of four.

Those metrics are highly atypical for a growth stock in an industry that could be worth more than US$1 trillion in just a few years.

Maxar's cash flows also seem somewhat stable. The company's government and commercial contracts take years to execute, which means management has enough visibility for revenue several years ahead. This should help them restructure the company and reduce debt steadily over time.

Bottom line

Maxar stock is beaten down. However, a successful restructuring plan coupled with a low valuation and positive investor sentiment could make this a big winner in the years ahead.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:MAXR (Maxar Technologies)

PARTNER-FEEDS

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

Category

1. Investing
2. Tech Stocks

Date
2025/07/05
Date Created
2020/07/11
Author
vraisinghani