



The Perfect Time to Bet on Space Stocks

Description

The final frontier is finally opening up. Billions spent in research over the past few decades has finally led to the creation of reusable rockets and smaller launch vehicles. That's allowed for the commercialization of space like never before. Meanwhile, investors remain focused on only a handful of players in the sector, which means emerging challengers are undervalued.

Here are two overlooked space stocks that should be on your radar.

Space stock #1

Maxar Technologies ([TSX:MAXR](#))([NYSE:MAXR](#)) should excite any investor eyeing investment opportunities in the booming space-exploration sector. The stock is down by close to 28% from all-time highs. That presents an opportunity to buy on the low given the tremendous growth opportunity.

Amid the booming space-exploration business, Maxar Technologies has emerged as one of the biggest beneficiaries. The company provides products and services such as imagery, data services, communications, and space infrastructure. Its space infrastructure segment accounts for about 40% of its total revenues, while Earth Intelligence and Space Infrastructure account for 60% of total revenues.

Some of Maxar Technologies's biggest customers include government agencies and commercial companies engaged in space exploration. The team has recently delivered a jet spacecraft component to be used on NASA's *Psyche* mission slated for next year. The chassis that is to be used on the spacecraft is made of Maxar's lightest graphite 1200-class spacecraft platform.

Given the big contracts that the company is winning, management expects 2021 revenues to increase 7.08% to about \$1.845 billion. Management is also projecting positive free cash flows by the end of 2021.

Analysts at **JPMorgan** have initiated the stock's coverage with an overweight rating up from a neutral rating recently. The analysts expect the stock to climb 40% in the year ahead. After the recent pullback, Maxar Technologies is fairly valued, given its price-to-sales ratio of 2.06. The stock is also trading with a forward price-to-earnings ratio of 55.26.

With management projecting a significant increase in free cash flow in 2021, the company's forward annual dividend yield of 0.10% should receive a boost.

That said, Maxar Technologies is an ideal pick for investors looking to gain exposure in the booming space explorations sector. The stock has pulled lower significantly, providing a perfect entry point at a discount.

Space stock #2

Another, lesser-known space tech stock went public this month: **MDA** ([TSX:MDA](#)). MDA develops robotic systems and provides geospatial imagery services. The team's [flagship project is Canadarm](#) — the robotic arm that was integrated into the International Space Station. Ongoing upgrades to this iconic piece of infrastructure is one of the many sources of income for MDA.

Last year, the company also struck a deal to implement electronic warfare systems on 15 Royal Canadian Navy warships. The company believes it can pare down debt substantially and roughly quadruple revenue to \$1.5 billion by 2025. At the moment, the stock is trading at \$17, which implies a market cap of \$1.9 billion. In other words, this stock is undervalued if it can meet expectations over the next four years.

Bottom line

With two Canadian space stocks flying under the radar, this is the best time to bet on the industry.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:MAXR (Maxar Technologies)
2. TSX:MDA (MDA Ltd.)

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