Is Maxar Technologies a Buy After Falling 30% This Week?

Description

Shares of **Maxar Technologies** (NYSE:MAXR)(NYSE:MAXR) are down 30% this week, currently trading at $34.39 at the time of writing. The stock was decimated on the back of its less-than-impressive quarterly results. So, does the pullback provide a buying opportunity for investors?

Maxar Technologies sales rise 3%

In the March quarter, Maxar Technologies reported revenue of US$392 million — a year-over-year gain of 3%. While Maxar's low-margin space infrastructure business saw sales grow by 17% in Q1, its high-margin earth intelligence unit experienced a decline of 8% year over year.

So, Maxar trimmed losses in the space infrastructure business, but its adjusted EBITDA in the earth intelligence segment fell by US$26 million.

This meant the company's net loss in Q1 stood at US$1.30 per share, which was significantly higher than its prior-year loss of US$0.80 per share. Its adjusted net loss stood at US$0.23 per share compared to estimates of a net loss of US$0.22 per share.

Despite its net loss in the March quarter, Maxar's operating cash flow was positive at US$27 million. The company did not provide any guidance for the upcoming quarters, but analysts covering the stock expect Maxar to turn profitable on a GAAP basis in Q2. Further, analysts also expect Maxar to post full-year GAAP profits in 2022, which will allow it to generate positive free cash flow on a consistent basis.

Despite its Q1 earnings miss, **JPMorgan** analyst Seth Seifman reiterated an "overweight" rating on Maxar with a price target of US$47. The analyst expects profitable growth in the earth intelligence segment going forward. Further, Maxar's attractive valuation and its focus on lowering debt levels were also the reasons behind the analyst's current views.

Growth stocks under the pump

While Maxar stock gained 140% in the last year, it is down 30% year to date. In 2021, growth stocks have underperformed the markets, as investors were concerned over its high valuation metrics. Further, rising interest rates coupled with the looming threat of inflation have contributed to the sell-off.

Analysts tracking Maxar Technologies expect the company's sales to rise by 3.8% to US$1.8 billion in 2021 and by 8.4% to US$1.94 billion in 2022. They also expect its bottom line to improve from a loss per share of US$0.07 in 2021 to earnings per share of US$0.91 in 2022.

This suggests Maxar stock is trading at a forward price-to-2022-sales multiple of 1.31 and a price-to-earnings multiple of 39. Comparatively, Maxar is forecast to increase earnings at an annual rate of 30% in the next five years.

What's next for investors?

Maxar Technologies is part of a highly disruptive sector and provides investors an opportunity to derive outsized gains but also carries significant risks due to its high beta score, which stands at 1.29.

Further, it has over US$2 billion in debt on its books, which is larger than its current market cap. However, the company reduced debt by US$300 million in Q1 and ended the quarter with an order book of US$1.8 billion.

Maxar's recent decline in valuation might present contrarian investors with an attractive buying opportunity. However, the company needs to report consistent profits and lower debt levels to outperform the broader markets in 2021 and beyond.

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araghunath