



## Why Maxar Technologies (TSX:MAXR)(NYSE:MAXR) Is a Buy on the Dip

### Description

**Maxar Technologies** ([TSX:MAXR](#))([NYSE:MAXR](#)) has potentially bottomed out after a 50% correction from its all-time high. The rebound seems to be based on investors sensing a window of opportunity to bet on this niche space tech opportunity.

Here's why Maxar stock is a buy on the recent dip.

### Maxar's prospects

The [\\$3 billion company](#) offers services such as earth imagery and geospatial data analytics. Its solutions continue to elicit strong demand from the public and private sectors as firms use them for security, global broadband services, and navigation.

### Deleveraging

While the company's numbers have fallen short of expectations in recent quarters, stable revenue growth and new contracts underscore its long-term prospects. In addition, the company has been aggressively paying back debt, which is why it posted a wider than expected net loss in the recent quarter.

The company now has \$1.89 in debt for every dollar in equity. That's still relatively high, but it's far lower than it used to be. In short, Maxar's debt burden is no longer an existential crisis. The team has now turned its attention to top-line growth to tackle the debt burden. According to their recent quarterly report, the order backlog grew 17% and the divestiture of **MDA** has already improved prospects for the firm.

### Outlook

Maxar Technologies remains well-positioned to experience tremendous growth given its expertise in space infrastructure and innovation. The space tech sector is still remarkably nascent. As the industry matures, Maxar could attract more contracts from a wider clientele.

Heavy spending on space technology is one reason to remain bullish about Maxar Technologies' long-term prospects. The expansion of the customer base beyond government agencies is another reason. **Goldman Sachs** has already initiated coverage of the stock with a [buy rating](#) reiterating that the 2023 targets issued are conservative.

Maxar Technologies is currently trading at a discount going by the price-to-sales multiple of two and price-to-book multiple of 2.77. It also boasts of a forward annual dividend of 0.10%. Goldman's analysts estimate that the stock trades at seven times free cash flow, which is on par with a defensive stock rather than a high-growth tech opportunity.

Maxar has always been a speculative buy. But given the way its industry is maturing, its top line is expanding and debt burden is subsiding, this could be an excellent opportunity for long-term investors to hop in.

## Bottom line

The global space tech sector is already worth several billion dollars, but it's just getting started. As the industry expands beyond rocket launches and government contracts, a lot more value could be unlocked. Companies with a first-mover advantage like Maxar Technologies should benefit from this rapid growth of the industry.

Maxar's biggest concern over the past few years is its debt burden. At the moment, debt still far outweighs equity on its balance sheet. However, it's less of a concern now that interest rates are at record lows and Maxar's top line is finally growing again. That's what makes this an ideal contrarian stock.

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