



This Bargain Tech Stock Could Double in 2022

Description

Plenty of tech stocks have lost value this year. Most of them are unlikely to reclaim their all-time highs anytime soon. However, some tech stocks are arguably undervalued and due for a sharp rebound. Here's one such rebound candidate that seems to be flying under the radar.

Top pick

Space tech stock **MDA** ([TSX:MDA](#)) is a top pick for 2022. The company provides geospatial intelligence services, which is just a fancy way of saying it sells data collected from satellites in orbit. This data helps the navy guard the coast, emergency services monitor wildfires, and shipbuilders monitor progress.

The company also constructs and maintains iconic pieces of space research infrastructure. It's flagship project is the robotic Canadarm on the International Space Station. It's now building a similar robotic arm for the upcoming NASA Lunar Gateway mission.

The space tech sector is rapidly expanding, and MDA is a key player. Unfortunately, this isn't reflected in the stock price.

Bargain tech stock

[MDA stock](#) has lost nearly 48% of its value since April. It's now worth \$1.1 billion in market value. Meanwhile, the company is on track to register about \$375 million in revenue this year. In other words, it's trading at a price-to-sales ratio of 2.9.

It's worth noting that MDA's current valuation is nearly identical to what a group of private investors paid for it last year. In early 2020, Toronto-based investment firm Northern Private Capital purchased MDA assets from its parent company for precisely \$1 billion. Now, nearly two years later, the price is roughly the same.

However, the underlying business has noticeably expanded. It's now registering gross profits and has a substantial backlog of orders that should help it achieve growth targets in the year ahead.

Long-term outlook

MDA has ambitious growth targets for the years ahead. By 2022, the company believes revenue will surge 50% to 60%. Earnings before interest, taxes, depreciation, and amortization (EBITDA) is also likely to expand to \$140-\$160 million in 2022. That's driven by new long-term projects such as the Canadarm3 program. By 2025, the team is confident revenue can surge past \$1.5 billion.

MDA already has a robust pipeline of projects to meet these targets. This year, its backlog of orders grew 47% from \$562.5 million to \$828.9 million. I believe demand for MDA's products and services are likely to remain strong throughout this decade as we witness a new global space race.

If the market recognizes this growth potential, and the stock adjusts to fair value, it could double in the next few years.

Bottom line

MDA is an unlikely growth star for next year. The team believes it can quadruple revenue by 2025. Some of this growth should be reflected next year as key projects commence. Meanwhile, the stock is beaten down. If growth targets are met, the stock could adjust to fair value and potentially double in value.

Keep an eye on this underrated tech stock.

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