



Why 5N Plus Shares Plummeted

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of specialty metal and chemical products producer **5N Plus** ([TSX: VNP](#)) plunged 14% today after its quarterly results disappointed Bay Street.

So what: The stock has rallied sharply since April on signs of a rebound in global demand, but today's Q2 results — EPS of \$0.41 on a year-over-year revenue decline of 20% — are forcing Mr. Market to quickly sober up. Although demand does seem relatively healthy, 5N's backlog, revenue, and margins remain heavily pressured by low underlying commodity prices, suggesting that the competitive environment is only getting more intense.

Now what: Given the uncertainty facing 5N, management will focus on what it *can* control to improve profitability. "[W]e continue to focus on improving efficiency and further reducing costs and working capital in an effort to strengthen margins and cash flow," [said](#) President and CEO Jacques L'Ecuyer. "We are also making progress towards our stated objectives of increasing value-added opportunities, with the planned acquisition of AM&M and their unique technology for making metal powders, and increasing our business activities in Asia, with the announcement of our new production activities and partnership in Korea." So while 5N remains just too volatile for average investors to consider, less risk-averse Fools might want to look into today's pullback as a *speculative* short-term turnaround opportunity.

Canada has yielded its fair share of great companies. But unsuspecting Canadian investors could get ambushed by a glaring weakness in their portfolios. One basic investing principle holds the key to a rock-solid portfolio ... and it starts with our neighbors to the south, America.

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Fool contributor Brian Pacampara does not own shares in any companies mentioned at this time. The Motley Fool does not own shares of any companies mentioned at this time.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:VNP (5N Plus Inc.)

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