



Temporary Setback or Down for the Count? Picking Through Some Second Half Losers

Description

As a follow on of sorts to [yesterday's post](#) that pertained to company's trading near their 52-week lows, today we're going to dig through a few big decliners on the TSX since the second half of the year began. 3 of the biggest losers are profiled below:

Niko Resources (TSX:NKO)

Niko's shares have been on a wild ride, mostly to the downside, for much of 2013. Since the second half began, the stock has declined by 33% as of yesterday's close. Niko is an oil and gas producer and has assets in such far flung places as India, Bangladesh, Trinidad and Tobago, Indonesia, Madagascar, and Pakistan. A geographically diverse approach to be sure but a quick look at the company's financials gives an indication why the shares have been under pressure. The company has not been profitable of late, faces a rapidly declining cash balance, issued equity to pay down debt, ended its dividend, and has a dubious history of generating free cash. Though RBC indicates that several of Niko's properties contain significant potential, given the financial condition of the firm, this appears to be one high risk, high reward situation.

Westport Innovations (TSX:WPT,NASDAQ:WPRT)

Westport shares are down by 18% since second half trading kicked off, with the bulk of the decline occurring after quarterly results were released at the beginning of August. One quarter is meaningless in the grand scheme of things for Westport as this remains a company that is firmly rooted in the future. With its leading position in the move towards natural gas fired engines, Westport is well positioned to be a big winner as this technology takes hold. However, like Niko, Westport is walking a fine line when it comes to its financial position. The company's cash stockpile is dwindling as it's spending far more than it's taking in – a relationship that can only last so long. Though financing options (debt or equity) are probably available, at what cost will they come to the company's current shareholders? There appears to be a pot of gold at the end of Westport's rainbow, however because of the financial risk, the journey to reach that destination is a potentially treacherous one.

Canexus Corporation (TSX:CUS)

Canexus produces chemicals that are used in a variety of industries. Pulp and paper is the primary target, but oil and gas, and water treatment are other destinations for the company's products. There are some interesting assets within Canexus' portfolio, and an attractive 7.4% yield helps to make this one worth a look. Not only are the company's legacy assets somewhat appealing, Canexus is also in the process of building out a hydrocarbon transloading service (think train by rail) in Western Canada. If oil-by-train does what many think it will do in the coming years, this investment could prove to be a real boondoggle for Canexus. The issue that has weighed on the shares seems to be weak pricing for one of its chemical products. These markets however are cyclical and while pricing may be down now, there's no indication it will stay that way forever.

The Foolish Bottom Line

Where Niko and Westport are facing financial pressures and require a completely uncertain future to be kind to them, Canexus faces a situation that it's been through before. It operates in a cyclical business and the cycle is currently working against it. This will shift, as it has many times before, at which time, Canexus shares are likely to recover.

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Fool contributor Iain Butler does not own shares of any of the companies mentioned at this time. The Motley Fool owns shares of Westport Innovations.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:WPRT (Westport Fuel Systems Inc.)

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