



Why Canexus Shares Popped Today

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 chemical manufacturing company **Canexus** (TSX: CUS) climbed as high as 13.5% today after its quarterly results topped Bay Street expectations.

So what: The stock has plummeted over the past year on weak caustic soda and hydrochloric prices, but today's Q4 results — cash operating profit of \$24.6 million with distributable cash of \$11.7 million — suggest that things are stabilizing. In fact, Canexus noted that demand for bleached pulp in all major end segments remained steady through the end of 2013, giving Mr. Market a bit of optimism over the stock's ability to rebound.

Now what: Management remains cautiously optimistic about its growth going forward. "Looking ahead to 2014, although we expect continued challenges in the chlor-alkali business for the balance of the year, our NATO manifest business is ramping up transload volumes and should start to generate meaningful results for this business," said Interim CEO Richard Ott. "Both our North American sodium chlorate and Brazil operations are expected to continue to deliver strong, consistent results this year."

More important, with the stock still off about 50% from its 52-week highs, there seems like plenty of upside left to buy into that turnaround talk.

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