



Two Beaten-Up Stocks With the Potential to Double

Description

If you own a stock on the 52-week low list, chances are the experience is a little painful. Nobody likes to lose money, obviously, but it's worse than that. It's almost as if that stock betrayed you by going down. The future looked so bright as you plunked down the cash to buy it. The business would improve, profits would come, and both your wallet and confidence would be a little larger. Alas, it wasn't meant to be... at least not just yet.

For those of us without skin in the game, cruising the 52-week low list can be an opportunity to find some interesting ideas. There are many reasons why a company would stumble, whether it's an uncertain outlook, decreased profitability, or just plain mismanagement. For opportunistic investors, this can be a great time to pick up shares.

Here are two stocks I've been researching that I think have the potential to double if things go right.

Canexus

Shares in **Canexus** (TSX: CUS) have been among the poorest performing on the Toronto Stock Exchange, falling more than 45% over the past six months. What exactly has gone wrong with this chemical manufacturer?

It partly has to do with the company's expansion into a business which, on the surface, seems like a huge growth area — transporting crude by rail. Canexus has mostly completed its terminal in Cold Lake, Alberta, and has contracts with **Cenovus** and both **Canadian National Rail** and **Canadian Pacific Rail** to load oil onto tanker cars. The company has huge hopes for this new business. It estimates that a third of its cash flow in 2015 could come from the oil by rail business, up from just a few percent now.

Unfortunately, this oil by rail terminal has been plagued by delays, cost overruns, and other setbacks. The company has announced that the terminal will be shut down in June for two or three months while work is completed. The last thing investors want to see is another delay, and shares are down accordingly.

Canexus's main business is chemicals, specifically manufacturing and handling of sodium chlorate and chlor-alkali products for the pulp and paper industry. The company has several plants in Canada and two in Brazil, with the Brazilian plants enjoying long-term contracts with large Brazilian companies.

Things aren't running quite so smoothly for the company's Canadian plants. Mostly Canexus is suffering from an oversupply issue in the chlor-alkali part of the business. Prices remain weak as demand just hasn't been up to expectations.

All this has led to a stock that currently yields more than 11%. While the company continues to say the dividend is safe, the market is sending a different message. Investors shouldn't be surprised if the company cuts the dividend. It's certainly priced into the stock.

Yamana Gold

The struggles of every gold miner have been well documented, but **Yamana** ([TSX: YRI](#))([NYSE: AUU](#)) is in the doghouse partially because of a different reason, as it stepped up to the plate and joined **Agnico Eagle** ([TSX: AEM](#))([NYSE: AEM](#)) to jointly bid on **Osisko Gold**.

But short-term pain could be a long-term gain for patient shareholders. Too many gold companies aggressively purchased assets when the yellow metal was trading closer to all-time highs, so buying assets at this level may turn out to be prudent. Osisko's assets were appealing to others besides Yamana, since the partnership had to outbid **Goldcorp**, which already had an offer on the table.

Even during these tough times for gold, Yamana has continued to have positive cash flow, pay a dividend, and grew its asset base by 10% in 2013, with plans to grow it more in 2014. The balance sheet is solid, and the company is well positioned to take advantage of the next significant uptick in gold prices.

Foolish bottom line

Buying stocks at 52-week lows can represent a good opportunity, but it can also be riddled with risk. Buying these two beaten-up stocks isn't for the faint of heart, but it can result in some nice returns as these companies turn things around. These two stocks have potential to do just that, but keep in mind that potential is hardly a sure thing.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:AEM (Agnico Eagle Mines Limited)
2. NYSE:AUY (Yamana Gold)
3. TSX:AEM (Agnico Eagle Mines Limited)
4. TSX:YRI (Yamana Gold)

Category

1. Investing

Date

2025/08/21

Date Created

2014/04/17

Author

nelsonpsmith

default watermark

default watermark