3 “Show Me” Stocks That Could Soar

Description

Investors do not forgive easily. So when a company underperforms, and loses the investment community’s trust, it can take a long time to win that trust back. Until then, one can say that they are “show me” stocks, or that they are “in the penalty box”.

These types of situations can create big opportunities for investors. This is because even when a company starts to perform well again, it is still not trusted, and its stock price can remain depressed.

Below are three companies that fit this description well.

Canaccord Genuity

It’s been a rough ride for shareholders of **Canaccord Genuity Group Inc.** (TSX: CF). The independent investment bank and wealth manager saw its stock fall from about $16 in February 2011 to below $5 in July 2012. The main problem was a drop in commodity markets, Canaccord’s specialties.

Since then, Canaccord Genuity has made some major improvements, especially with regard to cost containment. This includes investing in infrastructure, adjusting the compensation structure, and changing staffing levels. And the company is starting to see serious progress; in the last four quarters, net income reached $55.3 million, a 120% increase over FY2012.

But the stock remains stuck at about $8, trading below book value. If the company can ever perform like it did years ago, the stock price should take off.

WiLAN

Ottawa-based **WiLAN** (TSX: WIN) is an acquirer and licensor of patents, mainly relating to wireless technology. It’s a messy business, because it often requires taking companies to court in order to enforce these patents. As a result, WiLAN’s financial results can jump all over the place; during the good times, license revenue is rolling in the door, but during the bad times, litigation expenses dominate.

Unfortunately for investors, WiLAN's stock price has been on a much smoother trajectory: straight down. In 2011, the stock was trading above $9 per share, but is now at a meager $3.23. The company has simply not been able to secure enough license contracts to satisfy its shareholders.

There is now a good chance that the stock price is well below the value of the company's patents. To help rectify that, WiLAN is undergoing a strategic review; in other words, it is trying to get bought. If this process is successful, the shares will soar very quickly.

BlackBerry

No discussion of "show me" stocks would complete without mentioning **BlackBerry** (TSX: BB)(Nasdaq: BBRY). The company was once Canada's technology darling, but has since made great investors look very average as it lost market share in the smartphone market.

New CEO John Chen has tasked himself with turning around the company. And this is the kind of thing he has done before. In the late 1990s, he became CEO of Sybase, a money-losing database and business services company. Not only did Mr. Chen make the company profitable, he eventually sold it to SAP for $5.8 billion.

Blackberry is still unprofitable, and thus a gamble for investors. But even if Mr. Chen makes great strides turning around the company, there's a good chance the stock price won't react fast enough – such is the nature of "show me" stories. So this is a company worth keeping an eye on.

Foolish bottom line

All of these companies have their issues, including a rough recent history. But this is where the best opportunities are often found. Contrarian investors may want to consider these names for their portfolio.

CATEGORY

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