



3 Beaten-Up Stocks With the Potential to Double

Description

It sounds counterintuitive, I know, but savvy investors are actually *upset* that the stock market is hitting all-time highs.

Most investors right now are feeling downright giddy. The **S&P/TSX Composite Index** (TSX: ^OSPTX) just hit 15,000 for the first time in six years. Many are opening up their brokerage statements to discover newfound fortunes.

The downside? Good deals are far and few between. I feel like I have walked into a department store and everything has been marked up and the bargain rack has been picked clean.

However, not every stock has been marked up. Believe it or not, there are still some securities that have been overlooked by investors. The three companies below have stumbled badly, but each has the makings of a turnaround. If these companies can deliver on their promises, these vastly oversold stocks could win back favour with investors.

Barrick Gold

Barrick Gold ([TSX: ABX](#))(NYSE: ABX) represents everything that was wrong with the mining industry during the last upswing in gold prices.

The company bungled its way out of its commodity price hedging program, it purchased asset after asset at unjustifiably high prices, and its forays outside of precious metals and into the copper industry resulted in a \$4 billion writedown. This destruction of shareholder capital saddled the company with \$16 billion in debt and wiped out 30 years of profits.

However, Barrick is starting to get its act together. Over the past few quarters the company has cut costs, sold off low-quality assets, and pulled back on its growth ambitions. The company has also started cleaning up its act in the boardroom by changing its compensation practices and adding new independent directors. Peter Munk — the architect behind the company's disastrous expansion — resigned from the company this spring.

Last year, hedge fund activist Mark Morris of Two Fish Management [estimated that if Barrick was broken up, it could be worth between \\$40 and \\$50 per share](#). That target looks optimistic given the dilutive equity offering and weaker gold prices. However, Barrick could still be worth \$35 per share or more in this scenario and it wouldn't be surprising to see an activist try to shake up this company.

Bombardier

Admittedly, there hasn't been much good news coming out of **Bombardier** ([TSX: BBD.B](#)) in recent months. In February, the company announced that its long-awaited CSeries aircraft would be delayed another six months until the second half of 2015. Shares are down more than 15% for the year to date.

However, there are still a number of reasons to be optimistic in the second half of 2014. The delay has done little to temper the enthusiasm of Bombardier's customers, given that no customers have cancelled or trimmed their orders. In addition, the company's locomotive and rail car division is posting solid growth numbers thanks to strong demand from Asia.

At barely 12 times earnings, much of the bad news has already been baked into the stock. This stock is also one of the most heavily shorted names on the Toronto Stock Exchange. Any good news — or even the absence of more bad news — could send shares soaring.

BlackBerry

John Chen's turnaround strategy for **BlackBerry** ([TSX: BB](#))(NASDAQ: BBRY) is starting to pay off. Last week, shareholders had a rare chance to boast after the company reported better-than-expected quarterly results. Although the company still lost money during the fiscal first quarter, it was far less than the street had anticipated.

Looking further out, there were a number of positives hinted at in this quarter. During the conference call, Chen predicted that BlackBerry Messenger is expected to generate \$100 million in revenue next year through new services and advertising. The company is pushing to become the dominant player in emerging technologies such as mobile device management.

There's no doubt that BlackBerry is a distressed asset. However, at current prices, the stock is being valued as scrap. If John Chen can pull off this turnaround, the market capitalization on this company could grow multi-fold.

Granted, like the clothes you'd find on a bargain rack, these names are a little out of style, but some of these stocks have been so beaten down that their valuations have become quite enticing.

CATEGORY

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2. NYSE:BB (BlackBerry)
3. TSX:ABX (Barrick Mining)
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