Warning: These Plummeting Shares Are Still Too Expensive

Description

If you're looking for cheap stocks in Canada, they're typically hard to find these days. After all, the markets have done fairly well, and many of our best companies are trading near all-time highs.

So it might be tempting to buy a company that's struggling. After all, if they are able to turn their fortunes around, investors can see big gains. But doing such a thing could lead to trouble. Below, we highlight three companies you should continue to stay away from.

1. Bombardier Inc. (TSX: BBD.B)

The past three years have not been kind to Bombardier nor its shareholders — since April of 2011, the shares have fallen by roughly half. The main issues have come out of the aerospace division, especially the CSeries jet.

And the worst may be yet to come. Numerous analysts think that the CSeries will not be ready by the end of 2015, which is what Bombardier is targeting. This is critical because the company has $750 million of debt due in early 2016. So if the plane isn't finished by that time, then it could run into some serious cash flow issues.

If that wasn't bad enough, the crisis in Ukraine and the resultant sanctions on Russia are creating a big cloud of uncertainty for Bombardier. The company had previously agreed to build a turboprop factory in the country, which now looks to be in doubt. Bombardier also has a big presence in Russia through its rail division.

So if you're thinking of buying Bombardier shares, you should wait. The news will likely get worse before it gets better.

2. Barrick Gold Corp. (TSX: ABX)(NYSE: ABX)

The gold mining industry has not done well recently in the wake of rising costs and falling gold prices. But Barrick Gold has fared particularly poorly. To illustrate, the company's shares are down by 64% over the last three years alone.

And like Bombardier, the problems could get much worse. Gold is trading just above $1,200, and at this point it's hard to know if Barrick's projects are even economical. This is a big problem because the company's production is shrinking and the company still has over $10 billion in debt.

So if the price of gold falls any further — perhaps due to rising interest rates — then Barrick will likely be in serious financial trouble. Much like Bombardier, the shares are not worth the risk.

3. Penn West Petroleum Ltd. (TSX: PWT)(NYSE: PWE)

Like the first two companies in this list, Penn West Petroleum has struggled mightily in the past three years. Over this time, its shares are down by half. And once again, the news could get much worse.

Around the world, crude prices have been falling due to increasing production in the United States, as well as slowing demand growth. This will likely put further pressure on Penn West's balance sheet, which still has over $2.2 billion in debt.

So this company still has plenty of problems to work through. Its shares are simply not worth the gamble.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. TSX:ABX (Barrick Mining)
3. TSX:BBD.B (Bombardier)

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