An Instant 3-Stock Portfolio for Value Investors

Description

Once in a while, value investors get an opportunity to buy beaten-up stocks that are on the verge of a new breakout.

BlackBerry Ltd. (TSX: BB)(NASDAQ: BBRY), **Manulife Financial Corp.** (TSX: MFC)(NYSE: MFC), and **Cameco Corporation** (TSX: CCO)(NYSE: CCJ) are all in this category.

Let's take a look at these three companies to see why they might be good picks for a new value portfolio.

BlackBerry Ltd.

Life has been tough for BlackBerry investors over the last few years and many are still wondering if the company will survive.

For value investors who believe in the BlackBerry story, this is the ideal time to pick up the shares.

John Chen, BlackBerry's CEO, recently said the restructuring process is over and the company is now moving forward with its new strategy targeted at enterprise customers.

The recent purchase of Movirtu is a step in that direction. The SIM card developer has a product that enables customers to set up multiple accounts or profiles on the same device. This gives companies the ability to split business and personal use by their employees, reducing admin costs and enabling better control of communication expenses.

BlackBerry is also launching a host of new hardware products. The Z3 is already seeing success and the new Passport should resonate well with a niche group of business customers. At its current size, BlackBerry only needs to sell about 10 million handsets per year to be profitable.

Manulife Financial Corp.

During the dark days of the financial crisis Manulife was forced to raise $2.5 billion in equity and cut its dividend by 50% to stabilize the balance sheet.

Today, the company is well capitalized and focused once again on growth.

Earlier this month, Manulife announced an agreement to pay $4 billion for the Canadian operations of **Standard Life plc**. The most interesting part of the deal is an agreement between the two companies to cross-sell products.

Value investors looking for a long-term catalyst for the stock should consider the potential of the Standard Life arrangement given the global reach the two companies currently enjoy.

Manulife also increased its dividend by 19%. The dividend payout ratio is only 24%, suggesting more hikes could follow.

Finally, Manulife has a price-to-earnings ratio of about 10. If the Standard Life deal works out, the market could quickly move the stock higher to match its competitors. **Sun Life Financial Inc.** trades at 15 times earnings.

Cameco Corporation

The 2011 Fukushima Daiichi nuclear disaster turned the lights out on the uranium market. Producers have since reduced output and delayed new mines in an effort to mitigate the negative price effects of a very oversupplied market.

Uranium prices dropped below $30 per pound in the summer but the surge in the past month to $36.50 per pound suggests the market may have seen its bottom.

Cameco owns one of the richest uranium assets on the planet and has done a good job of staying profitable amid the downturn. In the next 10 years, Cameco expects global uranium demand to jump from 170 million pounds to 240 million pounds as more than 90 net new reactors go into operation.

The lack of new mines means the uranium market could actually see a supply shortage in the coming years.

Japan is also expected to restart as many as 30 reactors by 2019. As soon as the Japanese restarts officially begin, investors could see a significant rise in Cameco’s shares.

Great futures ahead

BlackBerry, Manulife, and Cameco still have downside risk, but the long-term potential for these three companies is compelling given their current situations.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. NYSE:CCJ (Cameco Corporation)

3. NYSE:MFC (Manulife Financial Corporation)
4. TSX:BB (BlackBerry)
5. TSX:CCO (Cameco Corporation)
6. TSX:MFC (Manulife Financial Corporation)

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aswalker