Will These 3 Canadian Companies Last Another 5 Years?

Description

Unfortunately for investors, not every company we pick will be a winner.

The law of averages ensures that at least a few of your holdings won't be great performers. Perhaps you bought in at too high of a price, mesmerized by the company's plans for domination. Or perhaps you tried to bet on the latest turnaround story, believing management's claims that glory days are just around the corner. Maybe you bought what you thought was a solid blue chip, but it just hasn't delivered.

These things happen. Even the greatest of companies can go through tough stretches.

There are certain companies that are beyond just having a few problems. These companies are so beaten up that investors and pundits alike have been questioning their long-term viability. Will they even survive? Will they even survive until 2020?

Here is a list of three such companies and my prediction of whether each is still around by the beginning of 2020.

1. Sears Canada Inc.

At this point, **Sears Canada Inc.** (TSX: SCC) primarily exists just as a vehicle to keep the U.S. parent afloat. But even the U.S. parent has realized there's little value left in the beleaguered retailer.

After selling off anything of value, from the company's credit card division to most of its finer real estate, Sears Canada finally put itself on the auction block. Unsurprisingly, it got barely a sniff. Nobody wants anything to do with a company that has seen revenue decline annually since 2005.

So Eddie Lampert, the billionaire owner of **Sears Holdings**, did the next best thing. He sold the company's 51% stake in Sears Canada to his own hedge fund, to raise cash for the parent company. It shows just how little interest anybody has in investing in the company.

Prediction: Sears Canada won't be around by 2020.

2. Penn West Petroleum Ltd.

Penn West Petroleum Ltd. (TSX: PWT)(NYSE: PWE) has been perhaps the worst-performing oil stock of the last decade, falling more than 80% excluding dividends. The company has had to deal with losing its income trust status, overpaying for a massive acquisition, dividend cuts, and, most recently, an accounting scandal.

The company is doing the right things, including selling non-core assets and bringing in new management, but will it be enough to right the ship? Analysts are almost all bearish on the name, and speculation is rampant the company will need to take a massive write-off of assets, since it trades at less than half of book value. Additionally, the company is sitting on a rather large debt pile, which is north of $2 billion.

Prediction: Penn West continues to shed non-core assets, and then gets gobbled up by a larger competitor once it has sorted things out.

3. Barrick Gold Corp.

Ever since hitting a high of $54 back in 2011, shares of **Barrick Gold Corp.** (TSX: ABX)(NYSE: ABX) have been absolutely hammered, losing 70% of their value. They're currently trading hands for under $16.

Barrick has been punished by the market for overspending during boom times. Between its acquisition of Equinox Minerals in 2011 and the ongoing debacle that was Pascua-Lama (which has since been shut down), the company spent $12 billion on projects that need much higher commodity prices to ever be really profitable.

This left it with a massive debt load of more than $13 billion, even after an equity offering earlier this year. Considering the company isn't even profitable at a $1,300/oz. gold price, things could really get dicey if gold dips below $1,000/oz.

Prediction: It all comes down to commodity prices. I think the company makes it, but has to sell some of its low-cost mines in order to survive. It could get pretty dicey.

CATEGORY

1. Investing

TICKERS GLOBAL

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

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