Why Bombardier Inc., Barrick Gold Corp., and Penn West Petroleum Ltd. Are Still Too Expensive

Description

The last five years have generally been very good for investors, as most stocks have seen big gains. That being said, it does make cheap stocks harder to find.

Of course, not all companies have participated in this rally, and for that reason, their stocks may appear cheap but that does not mean you should buy them. Below are three examples of stocks that have badly lagged in recent years, but you should avoid anyway.

1. Bombardier Inc.

Bombardier Inc. (TSX: BBD.B) shares have seemingly moved in only one direction recently: straight down. Over the past 12 months, the shares have lost nearly 25%, but that doesn't mean they are trading at a discount.

Bombardier's problems mainly revolve around the CSeries jet, which has seen numerous delays and cost overruns. The company now hopes to release the CSeries by year-end 2015. Yet numerous analysts believe this is unrealistic — one analyst even used the words "borderline delusional" to describe this goal.

If the CSeries were to incur any more delays, that could spell serious trouble. Bombardier's debt balance currently stands at $7.7 billion, and $750 million is due at the beginning of 2016. In the meantime, the company will continue to burn cash until the jet is complete. This is too big a risk for any investor; you should stay away.

2. Barrick Gold Corp.

Shareholders have **Barrick Gold Corp.** (TSX: ABX)(NYSE: ABX) have also endured plenty of hardship in recent years; in the past three years, the shares have declined by roughly two-thirds. Does that make the shares cheap? Well, not necessarily.

Everything that could go wrong has gone wrong for Barrick. The company has struggled with failed acquisitions, failed projects, poor corporate governance, and slumping gold prices. And the news could get worse.

In an effort to turn itself around, Barrick has sold off assets and cut back on spending. As a result, production is declining. This could easily continue; with gold prices having fallen so much, many of its projects may now be uneconomic. Meanwhile, the debt load still remains above $10 billion.

Barrick may succeed in turning itself around. But at this point, it looks like it can't afford any more gold price drops. This makes an investment in the company particularly risky — like Bombardier, this is one you should stay away from.

3. Penn West Petroleum Ltd.

Shareholders of **Penn West Petroleum Ltd.** (TSX: PWT)(NYSE: PWE) have fared only slightly better than Barrick. Over the past three years, Penn West's stock has declined by nearly 60%.

Penn West's problems are very familiar in the energy sector. It expanded beyond its means, ran into operational challenges, and got stuck with an overstretched balance sheet. Then it sold assets right into a buyer's market. More recently, the company has had to deal with falling oil prices and an accounting scandal. Can it get any worse?

Amazingly, it can. Penn West still has over $2.2 billion in debt, and falling oil prices could stretch the company further. Shareholders should also be bracing for a dividend cut. Once again, this is not something you want to be a part of.

Thankfully, there are better investment opportunities than these three companies. Five of them are profiled in the free report below.

CATEGORY

1. Investing

TICKERS GLOBAL

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

Category

1. Investing

Date
2025/07/23
Date Created
2014/10/09
Author
bensinclair