3 TSX Stocks That Are Down but Not out

Description

There are 32 TSX stocks down at least 5% year-to-date through June 7, including **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX), which is off a whopping 78%, but don't despair because if you own these three stocks, they'll be back in positive territory before you know it.

The TSX is up 11.1% in 2016 through June 7. Of the 240 stocks in the index, only 32 have lost more than 5% year-to-date. Some of these TSX stocks are going, going, gone. But before investors sell in desperation, consider that a few of them are actually good companies caught in temporary struggles; the bad news *is* behind them.

So, what are these zeniths soon to be rising? Read on and I'll give you three stocks I believe are down but not out.

Alimentation Couche-Tard Inc. (TSX:ATD.B)

While a decline of 5.5% through the first five months of 2016 is hardly a disaster—just ask Valeant management what that looks like—it is a noticeable price adjustment for a stock that's delivered an annualized total return of 46% over the past five years. Long-time shareholders are used to one direction for its stock: up. To see its stock reversing course has to be unsettling especially when the TSX is performing so well.

Is this a simple case of reversion to the mean? I don't think so. In February, I argued that Alimentation Couche-Tard would continue to deliver market-beating returns once more in 2016. Since then it's down 5.3%.

My case for continued success at Alimentation Couche-Tard revolves around two things: It integrates acquisitions better than almost any firm in Canada; its conversion of almost all its convenience stores on a global basis to a single brand (Circle K) provides efficiencies it could never hope for with its current hodgepodge of nameplates.

With the company said to be a bidder for **CST Brands Inc.**, a spinoff of **Valero Energy Corporation**, which operates more than 3,000 gas stations and convenience stores in North America, a successful bid would certainly ratchet up its growth once more. If not, however, it's got plenty to keep itself busy.

Linamar Corporation (TSX:LNR)

As Fool contributor Joseph Solitro explained in his June 3 article, Linamar, a manufacturer of automotive parts among other things, has a cheap stock that deserves the attention of value investors. Presently, Linemar's enterprise value is $4.9 billion, or just 5.5 times its trailing 12-month EBITDA. That's the same multiple as **Magna International Inc.,** despite the fact Linamar's operating margins are more than three percentage points greater than the auto parts giant.

With a strong management team in place that's delivered the goods for more than a decade, it's primed to go over $6 billion in annual revenue in 2016. It's planning to spend $500 million on its Ontario plants to accommodate big projects like the aluminum component program it's working on at its Windsor plant, so it's more than likely that Linamar will continue to grow operating profits on a double-digit basis over the next couple of years.

Linamar's stock, which is down 28% year-to-date, is bound to deliver in the second half of 2016.

Empire Company Limited (TSX:EMP.A)

Any time a business takes an impairment charge of $1.7 billion in a quarter, it's bound to scare investors. The parent of Sobeys did just that in the first quarter of 2016 because of integration issues with its Safeway acquisition from 2014. Add to this an economy out west that's still suffering from depressed oil prices, and you've got a pretty miserable story to tell.

It doesn't matter if you're the second biggest grocery store in Canada with more than $24 billion in annual revenue or not; investors don't like bumps in the road.

When the acquisition happened it was going to make Sobeys a national grocery store chain. And it did. But at a cost.

However, Empire has a plan to rejuvenate the former Safeway locations, which had fallen on hard times by failing to keep prices competitive, stores attractive, and distribution moving efficiently. It won't be overnight, but with its stock losing 67% on a cumulative basis over the past three years, its recent 5% uptick over the past month is evidence the bottom is in.

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