
# 3 TSX "Loser" Stocks to Bet on

## Description

Finding stocks to bet on that are temporarily beaten down but ready for a comeback are often the hardest to recognize. Who's to know whether a stock that's off 10% on the year isn't in the first leg of a long, drawn-out journey to the bottom, rather than simply experiencing a typical correction when a stock has gotten a little ahead of itself?



The simple answer is, you don't.

In early June, I picked three stocks that I thought were due to recover, despite appearing to be down and possibly out. Of the three, **Alimentation Couche-Tard Inc.** (TSX:ATD.B) was the stock with the best track record, so its chances of recovering from an almost 6% decline through the first five months of the year seemed the most realistic. After all, you can't keep a good stock down.

Here's how they've done through November 14:

**Three TSX stocks that are down but not out: June 8 to November 14**

| **Company** | **Gain/Loss** |
|---|---|
| Alimentation Couche-Tard | 11.9% |
| **Linamar Corporation** (TSX:LNR) | -10.5% |
| **Empire Company Limited** (TSX:EMP.A) | -20.7% |

*Source: Google Finance*

Of the three I picked to recover, Couche-Tard was the stock to rise to the occasion. Linamar, like many of the other auto parts makers, can't seem to find any traction, and Empire Company continues to hopelessly try to find its bearings in Canada's highly competitive grocery business. It will come back, but not until later next year or into 2018.

So, now I'll repeat the process picking three more "loser" stocks (none of the three above and with a market cap above $1 billion) that are down more than 5% year-to-date through November 14. To make it interesting, my three picks will have to reverse their losses by the end of the year in order to qualify as a successful turnaround. I'll report back in early January.

**Gildan Activewear Inc.** (TSX:GIL)(NYSE:GIL)

Its stock jumped more than 5% on the news it was buying the rights to the American Apparel name for $66 million. The deal gives Gildan the use of the name along with some of American Apparel's inventory, but it will not be taking over any of its retail stores.

While Gildan might not be having a great year in the markets, I recently highlighted three reasons to own Gildan stock. I stand by those reasons, and, with any luck, its stock will gain another $4 between now and the New Year.

**North West Company Inc.** (TSX:NWC)

The food retailer specializes in serving rural communities in the northernmost parts of Canada as well as the Caribbean and the South Pacific. Down 12.0% year-to-date through November 14, it's heading for its first year of negative returns since 2008.

Its performance has been steady, if not spectacular, over the past decade with just one down year (2008) when it was off by 12.8%. However, compared to the TSX, it's been a star performer, beating the index by 539 basis points on an annual basis over a 10-year period.

With a 5.1% dividend yield, I'm happy to get paid to wait for its stock to recover. It rarely goes on sale, so now is the time to buy.



**Cascades Inc.** (TSX:CAS)

With the exception of its European boxboard business, Cascades's packaging products division is having a reasonably good year, as is its tissue paper business, with overall company revenue up 4.5% to $3.02 billion in the nine months ended September 30, while its operating income in the same period is up 10.4%. Yet its stock is down 8.5% through November 14.

Although TD Securities cut Cascades's 12-month price target November 11 by one dollar to $15.50 as a result of its third-quarter earnings report, it still rates its stock a buy, as do five other analysts. If it were to hit that target within six weeks, it would definitely qualify as a turnaround, but that's probably asking for too much given it achieved a total return of 83% in 2015.

**CATEGORY**

1. Investing

**POST TAG**

1. Editor's Choice

**TICKERS GLOBAL**

1. NYSE:BHC (Bausch Health Companies Inc.)
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