Contrarian Investors: Is Crescent Point Energy Corp. or Bombardier, Inc. Attractive Today?

Description

Contrarian investors are always searching for troubled stocks that might be on the verge of a turnaround.

Let's take a look at **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) and **Bombardier, Inc.** (TSX:BBD.B) to see if one should be in your portfolio right now.

Crescent Point

Crescent Point was a $44 stock three years ago. Today, investors can pick it up for less than $9 per share.

Ouch!

The difficult times in the oil sector have lasted longer than anyone expected, and Crescent Point continues to hit new lows.

On top of that, the monthly dividend is now $0.03 per share, down from $0.23 per share back in the days of US$100 oil. The current yield is 4%.

Fans of the stock point to the stable balance sheet, growing production, and an attractive resource base as reasons to be optimistic. They have a point, as Crescent Point is still in better financial shape than a number of its peers, and the company hasn't been forced to liquidate assets to stay alive.

If you think oil is headed back down to US$40 per barrel or lower, it would be best to avoid this stock, regardless of how cheap it looks today.

However, if you are an oil bull and think prices are headed higher through the end of the year and into 2018, it might be worthwhile to add a small position to your portfolio.

Bombardier

Bombardier was a $20 stock back in its glory days at the turn of the century. Since then, it has pretty much been on a downward trend and bottomed out early last year below $1 per share.

A last-minute deal with **Air Canada** for a large order of the new CSeries jets probably saved the company from a trip to bankruptcy, and the follow-up order from **Delta Air Lines** helped move the stock back to $2 per share.

Those deals, coupled with a significant cash infusion from Quebec and the province's pension fund, have given Bombardier a new lease on life, and the current management team is working hard to get the company back on track.

Bombardier is in better shape today than it was last year, but more work has to be done.

The company's rail division is struggling to meet delivery commitments on some orders, and stiff competition from a state-owned Chinese competitor is a major threat to new train orders in key markets such as the United States.

In order for the stock to move much higher than the current price of $2.60 per share, Bombardier will have to secure additional large CSeries orders at better pricing.

Management says more deals are on the way.

Contrarian investors have to decide if they think the company is truly back on track. If you think more CSeries orders are coming in the next few months, you might want to take a small position ahead of the news.

Is one more attractive?

Crescent Point probably offers more upside torque on a recovery in oil prices, but it also carries more downside risk at this point, especially if oil decided to take another run at US$40 per barrel.

Bombardier is likely destined to float along in a narrow range in the medium term, unless it signs a couple of new CSeries orders with major airlines. At this point, most of the good news is probably priced into the stock.

I'm not convinced oil has bottomed, and Bombardier still faces some important challenges. As such, I would avoid both names for the time being.

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