



2 Turnaround Stocks Worth Considering

Description

Turnaround stocks can be some of the most lucrative opportunities on the market. While the reasons vary for stocks dropping substantially in value if the company has a solid business model (or plans to adopt one), you are invested for the long term and can tolerate short-term risks, turnaround stocks can really pay dividends over the long term.

Here are some of the most appealing turnaround stocks on the market that are worth considering.

Cameco Corp. ([TSX:CCO](#))([NYSE:CCJ](#)) is one of the largest uranium miners in the world. Countries purchase uranium for fuel in nuclear power plants.

Back in 2011, uranium prices were north of US\$70 per pound, and Cameco had a bright and prosperous future, but when the Fukushima reactor in Japan was damaged by a tsunami that same year, it effectively dried up all demand for nuclear power. Japan, which had one of the largest inventories of nuclear reactors, shuttered all facilities. This sent the price of uranium plummeting, leaving Cameco with a glut of inventory that was worth less with each passing month.

That's not the only thing weighing down Cameco. The company also has an ongoing dispute with the CRA that is set to be decided on later this year. If a decision is passed against Cameco, the company could be held liable for up to \$2 billion in taxes. Despite a decision still pending on the case, a negative outcome is already priced in to the stock price.

While uranium prices remain weak, Cameco has capitalized on its market position to shutter more expensive and less productive facilities, put a focus on clearing the supply glut and generally becoming more efficient. This puts the company in a prime position for growth when uranium prices finally recover, which experts speculate could happen over the next year as a renewed interest in nuclear power finally takes hold of the market.

Valeant Pharmaceuticals Intl Inc. ([TSX:VRX](#))([NYSE:VRX](#)) may seem like an unlikely choice as a turnaround investment, particularly for those investors that were burned by the stock's collapse two years ago.

Valeant had a business model that was reliant on taking out cheap loans and then using that capital to acquire other drug companies. Valeant would then integrate the newly acquired products into its own growing distributor network, hike drug prices, and then move on to the next acquisition.

That business model was ultimately proven unsustainable as mounting pressure over drug prices caught the attention of lawmakers and finally hit a boiling point as concerns over paying back those cheap loans were founded. In total, Valeant had accrued a massive US\$30 billion in debt.

Over the course of the past year, Valeant has worked on reducing that debt mountain through a variety of savings and asset sales. The company has stated on more than one occasion that it is open to selling non-core assets, and to date Valeant is well on track to meet its debt obligations coming to maturity through the next two years.

Should you invest in a turnaround stock?

Turnaround stocks like Valeant and Cameco can hold plenty of potential, but they are not for all investors. As a long-term option, Cameco is probably the better of the two investments, but neither of these companies should be considered for investors that cannot tolerate riskier, more volatile stocks or are looking at the short term. Cameco has dropped over 45% over the past five years.

Valeant is a work in progress. The coming months will prove whether or not the company can continue to press on with a business model that is sustainable and can continue to chip away at the mountain of debt. Valeant is down approximately 65% over the past five years.

CATEGORY

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2. Metals and Mining Stocks

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