3 Unloved Stocks for Contrarian Investors

Description

Buying beaten-up stocks takes some courage, but the move can deliver nice returns if you pick the right names and have the patience to wait for better days to arrive.

Let's take a look at three Canadian companies that deserve to be on the radar.

Barrick Gold Corp. (TSX:ABX)(NYSE:ABX)

Barrick is the world's largest gold miner with expected 2018 production of 4.5-5 million ounces.

The company has made good progress on its turnaround efforts in the past three years, with debt down from US$13 billion at the beginning of the process to the current level of about $6.4 billion. Management hopes to lower that to US$5 billion by the end of this year.

Less than US$100 million in debt is due before 2020, and the company finished 2017 with a consolidated cash balance of US$2.2 billion, so the balance sheet is in decent shape.

The stock remains under pressure, despite the improvement in the price of gold. At the time of writing, gold trades for US$1,325 per ounce, and Barrick sells for $16 per share. This time last year, gold was US$1,200 per ounce, and Barrick traded for $25 per share, so the negative sentiment might be overdone.

TransAlta Corporation (TSX:TA)(NYSE:TAC)

TransAlta was a $15 stock five years ago. Today, investors can pick it up for $7.50. Power prices in Alberta remain a challenge, but a number of the other issues that have plagued the company in recent years have been addressed, and the market might not be appreciating the value that lies in the stock.

Why?

The company's future in Alberta appears to be secure after the province worked out a deal with coal-fired power producers to help them transition to natural gas and renewable-energy alternatives.

TransAlta is receiving about $37 million per year through 2030 under the agreement.

In addition, TransAlta owns 64% of **TransAlta Renewables Inc.** (TSX:RNW). At the time of writing, that's worth about $1.9 billion. TransAlta's market cap is $2.15 billion, so the market isn't putting much value on the assets that have not been dropped down into RNW.

The current dividend should be safe and provides a yield of 2%.

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG)

Crescent Point traded for $45 and paid out a monthly dividend of $0.23 per share back in 2014 when oil was US$100 per barrel. The depth and extent of the oil rout forced the former income darling to slash its distribution to $0.10 and then again to $0.03, where it currently stands.

Long-term investors might not be impressed, but those who pick up the stock today for $8.60 per share can get a 4% yield.

Oil prices rallied through the end of 2017 and appear to have stabilized above US$60 per barrel. That should provide enough cash flow to support the existing dividend, and Crescent Point is slowly paying down debt. The company has also bumped up production, so things are moving in the right direction.

The bottom line

All three companies appear oversold today and could deliver some nice returns when the market sentiment shifts. Investors will have to be patient, but it might be worthwhile to start a small contrarian position in TransAlta, Barrick, and Crescent Point while they remain out of favour.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:TAC (TransAlta Corporation)
3. NYSE:VRN (Veren)
4. TSX:ABX (Barrick Mining)
5. TSX:RNW (TransAlta Renewables)
6. TSX:TA (TransAlta Corporation)
7. TSX:VRN (Veren Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/08/24
Date Created
2018/03/17
Author
aswalker