



3 Promising Turnaround Stocks to Consider

Description

As much as we love to tout the performance of the best-performing stocks on the market, some stocks do occasionally drop, and quite considerably. These drops usually come about because of a catalyst event leaving the company with the challenging task of addressing the underlying issue that caused the drop.

If that effort to turn around is successful, investors that buy in at lower levels can reap significant rewards, and existing investors that decide to delay or forego selling their shares could return to profitability once conditions improve.

Here are three turnaround stocks to weigh in on.

Valeant Pharmaceuticals Intl Inc. (TSX:VRX)(NYSE:VRX) wrote the book on epic collapses. The stock dropped over 90% two years ago, stemming from a flawed business model that relied on cheap loans to buy rival drug companies that could then be re-priced and routed through Valeant's distribution network.

Unfortunately, those loans were anything but cheap, and Valeant was left hanging with US\$30 billion debt and a stock price that dropped over 90% over the course of a few weeks.

Since that drop, Valeant has a new management, a revamped model that is more stable, and the company has jettisoned non-core assets to pay down that mammoth debt, surpassing its own payback goal for the year. Further to this, Valeant has a string of new drugs coming along, dubbed as the Significant Seven, that Valeant claims could see annual revenues of \$1 billion or more.

Can Valeant turn around?

Valeant has already performed a miracle in reducing its debt and restoring confidence in the company. While the Significant Seven may bring in the revenue the company sorely needs, it won't be enough on its own. Expect Valeant's turnaround to comprise a difficult and long next few years.

Cameco Corp. ([TSX:CCO](#))([NYSE:CCJ](#)) is one of the largest uranium miners in the world, but thanks

to a prolonged drop in uranium prices, the stock retreated over 65% since an earthquake and subsequent tsunami damaged the Fukushima reactor in Japan back in 2011.

That event effectively halted all demand for nuclear power, bringing uranium prices down to the US\$20 per pound level from the over US\$60 per pound level they were before the Fukushima incident. Despite that drop, Cameco continued to mine uranium that few were buying, leading to a massive supply glut and the current situation.

Can Cameco turn around?

Cameco and other uranium miners have made a dedicated effort to [cut production levels this year](#) in hopes of clearing that supply glut. In addition, demand for nuclear power is steadily being restored thanks to aggressive infrastructure projects underway in China, India, and the U.A.E. that call for massive increases in power generation that only nuclear can provide.

If there were awards for companies that overcame overwhelming odds, **Bombardier, Inc.** ([TSX:BBD.B](#)) would definitely get a nomination. The train and plane manufacturer has passed through trial after trial over the past few years while bringing the revolutionary new CSeries jet to market.

The program itself was billions and years over budget, nearly bankrupting the company. Then the certification process for the new jet took longer than expected, resulting in fewer firm orders for the new jet. When Bombardier received a lifeline in the form of large orders from two airlines, this was met with concerns over Bombardier's less-than-stellar delivery record and then finally allegations of dumping the CSeries into the U.S. market below cost by a U.S.-based competitor, which saw tariffs of 300% slapped on to CSeries jets slated for introduction to the U.S. market.

Bombardier eventually had those tariffs and allegations overturned, but not before turning over majority interest in the CSeries program to European behemoth Airbus, which also offered U.S.-based manufacturing assistance and global marketing and sales experience to push the CSeries forward.

Is Bombardier a good turnaround candidate?

Bombardier ran in crisis-management mode for so long that it may initially be too difficult to see the [long-term potential](#) the company really does offer. Bombardier still has work to do on meeting delivery schedules, but overall the company is a practical turnaround candidate, which is already reflective in the 20% increase year to date.

CATEGORY

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2. NYSE:CCJ (Cameco Corporation)
3. TSX:BBD.B (Bombardier)
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