The Best Turnaround Stocks for the Second Half of 2018

Description

So far, 2018 has been a very strange year for the market. The ongoing NAFTA negotiations, the looming impact of Brexit, the steady rise of interest rates, oil, and gold prices, and finally, the unpredictability from Washington have all weighed in on what is likely to be remembered as one of the oddest periods in time by historians.

While we remain focused on the impact of these changes, there are several well-known turnaround stocks that are quietly garnering the attention of investors once again, with each representing an opportunity for investment.

BlackBerry Ltd. (TSX:BB)(NYSE:BB) is emerging from a turnaround that has spanned over half a decade. The company has more than its fair share of critics, and many investors erroneously try to compare the current company's performance with that of its previous incarnation from nearly a decade ago, when BlackBerry held a commanding share of the smartphone market; in doing so, they fail to see the long-term opportunity BlackBerry holds.

BlackBerry no longer makes smartphones directly; it licenses out that function to partners around the world. BlackBerry still has input over the devices being built that carry its name, but the company no longer needs to invest in building and marketing the devices directly, freeing up capital for other areas where opportunities abound.

The three emerging trends or technological leaps that the market is focusing on now are IoT devices, autonomous driving, and increasing privacy and security of online users. BlackBerry is focusing on all three of these aspects and has finally started to turn a profit. BlackBerry's QNX implementation in the growing field autonomous driving specifically holds potential to be a game changer for the market, as QNX is already installed in over 60 million vehicles worldwide.

Bombardier, Inc. (TSX:BBD.B) is another beaten-up stock that has finally turned a corner. Bombardier's CSeries jet is a revolutionary new plane that caters to a very underserved segment of the market that experts peg should see several thousand orders over the next two decades. That's a handsome reward for a program that was two years late to market and billions over budget. The

CSeries also weathered a challenge from the competitors that resulted in crushing tariffs from the U.S. Department of Commerce imposed on the CSeries before a subsequent decision ruled those tariffs should be removed.

Fortunately, the CSeries is now garnering interest from airlines over the world, and Bombardier's handing over of the controlling interest in the CSeries project to European heavyweight Airbus will only garner additional interest and growth over the long term.

There is no stock collapse in recent memory that can compare with **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX). Three years ago Valeant was on top of the world. The company was the darling of the exchange with a market cap that surpassed most of Canada's largest banks. Valeant was using cheap loans to buy up drugs that it could then add to its own distributor network and sell for a higher price.

Eventually, the cheap loans dried up, payments came due, and Valent was left without many options. What followed was a brutal drop of over 90% in value, washing away many investors and leaving Valeant with a staggering US$30 billion in debt and a broken business model.

Since then, Valeant has worked to pay down its debt, establish a viable business model that isn't reliant on cheap loans, insert new management, and eventually return to profitability. And, for the most part, the company has surpassed expectations in that regard.

Valeant has already paid down over US$5 billion in debt through cost savings and asset sales, and the company has reminded investors on multiple occasions that the intent was not to be completely out of debt, but to get debt to a manageable level. Valeant also announced a series of new drugs coming to market over the next year that the company forecasts should provide annual revenues in the billions. The seven drugs dubbed the Significant Seven recently witnessed a setback, as one of the drugs was not granted approval by the FDA yet, but the company maintains that after a series of meetings and questions, the path to approval could still occur over the next year.

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