2 Recovery Stocks That Are Not Worth Buying Yet

Description

Not all of the companies on the market are going to be a screaming buy for investors. It's not uncommon for companies to undergo turnaround plans to reinvent themselves and usher in a new era of profitability.

Often those turnaround candidates can represent an intriguing an opportunity for investors to buy in at a highly discounted price and reap the rewards once the stock recovers; at other times, the investment is simply not justified, at least in the short term.

Here are several investments that fit into that latter classification.

Bausch Health Companies (TSX:BHC)(NYSE:BHC) is a pharmaceutical company with a troubled past and an uncertain future.

Under its former name, Bausch was considered the darling of the market just a few years ago, aggressively expanding through acquisitions paid for by cheap loans. With each passing acquisition, Bausch was hiking drug rates and then moving to its next target.

The plan worked fine until those cheap loans started to come due, and concerns over drug pricing hikes caught the attention of regulatory bodies. In the end, the company lost 90% of its value and was left with a staggering debt in excess of US$30 billion.

Over the course of the past year, Bausch has made incredible progress on reinventing itself as well as getting its house in order. The company has a line of new drugs coming to market shortly that could provide a source of revenue for nearly a decade, and Bausch has jettisoned non-core assets from its portfolio to help pay down debt. The company also has an experienced team in its CEO and CFO, both of which were brought in after the crises to turn the company around and restore it to profitability.

While I don't have any doubt that the company will complete its recovery and become a viable investment option again one day, that opportunity could take several years to materialize. Until then, there are far better opportunities on the market for investors to capitalize on.

To put it another way, unless you're already invested in Bausch and are waiting to minimize your losses further, it may be time to move on.

The changing face of retail has altered the traditional view that success could be viewed as having a large network of brick-and-mortar stores in malls that will provide ample foot-traffic. Unfortunately, that's not the case for Canada's oldest retailer, **Hudson's Bay Company** (TSX:HBC).

Initially propped up by a series of masterstroke real estate deals, Hudson's Bay went on an acquisition spree over the past years, acquiring both brands and buildings that the company hoped would bring about a renaissance in retail and expand HBC's brand to both the U.S. and Europe.

I should note that it's not all bad news for HBC, however, as the company has posted same-store sale growth in 31 consecutive quarters, and by virtue of being the last of the department store breed still standing in Canada, the company can claim victory (and hopefully more customers) over that turf.

There's also the company's new CEO, Helena Foulkes, who has in a very short period has made several changes to right the wrongs of the past by selling off the online clearance house gilt.com as well as deciding to close off some under-performing stores across its Lord & Taylor brand, and even commencing talks about divesting some of its stake in its European brand, Galeria Kaufhof.

While I don't doubt the long-term potential of Hudson's Bay, this is clearly one investment that will need time to rebuild, and that time could be better spent on any number of other more profitable ventures.

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