3 Turnaround Stocks That Are Attempting Spectacular Comebacks

Description

Throughout our investing history, we have all seen darling stocks crash and burn.

Hopefully, we didn't crash and burn with them, but regardless, these stressful and volatile situations lead to the potential of above-average, phenomenal returns if we buy after the dust has settled.

But this is no easy task and fraught with risks and uncertainties that are not for every investor.

If you are an investor who is ready and able to take on this added risk for the possibility of the added return, come with me as I look into three turnaround stocks that have recently crashed and burned and that are trying to make a comeback.

BlackBerry (TSX:BB)(NYSE:BB)

BlackBerry stock has been characterized by extreme volatility this year, and while the stock has been a volatile one in the past, this year has shown volatility in the high-end of its history.

Today, the stock is flat year to date and almost double 2016/17 levels.

There are three major reasons why I am a buyer of BlackBerry stock at these levels, and all reflect increasing visibility and growth opportunities for the company.

The first relates to the fact that the company's recurring revenue is increasing as a percentage of total revenue. In the first quarter of 2018, recurring revenue accounted for 86% of total revenue; in the second quarter it accounted for 81%. Management expects this number to increase to over 90% within a year.

The second reason I'm bullish on the stock is the fact that BlackBerry has had a number of design wins in the automotive software business — an emerging business that has a lot of growth ahead of it.

In the second quarter of 2018, this was evident, as growth in Blackberry Technology Solutions revenue was a record high, driven by growth in the automotive segment.

Lastly, BlackBerry still has a very strong balance sheet, with more than $2 billion in cash, leaving the door open for strong future growth organically or via acquisitions.

Bausch Health Companies (TSX:BHC)(NYSE:BHC)

Formerly known as Valeant Pharmaceuticals, Bausch Health Companies has come a long way, and with the stock almost double compared to one year ago, investors seem to agree.

But the rise is not over.

Learning from past mistakes, and as part of Bausch's strategy going forward, debt reduction has taken centre stage.

The company has reduced its debt by more than $200 million this past quarter, and EBITDA and cash flow are rising faster than expected.

And while the recovery remains in early stages, the healthcare sector is booming, the company is resolving litigation, which is removing that cloud, and the valuation does not reflect much good news.

Home Capital Group (TSX:HCG)

Home Capital Group stock has stagnated this year, probably a reflection of the elevated risk in the mortgage market.

And while the company has done much to improve its liquidity and capital structure, I cannot escape the fact that it is very tied to the Canadian housing market, which is at risk.

I had expected the stock to perform better this year, and the fact that it hasn't seems a reflection of the increasingly shaky housing market.

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2. NYSE:BHC (Bausch Health Companies Inc.)
3. TSX:BB (BlackBerry)
4. TSX:BHC (Bausch Health Companies Inc.)
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