2 Stocks at 52-Week Lows: Is Either Worth Buying Today?

Description

The S&P/TSX Composite Index fell 66 points on December 10. The TSX and major U.S. indexes all suffered steep declines in late morning and early afternoon trading before staging a comeback in the final hours of the trading day. Unfortunately, the Canadian market was unable to make it back into positive territory.

Falling oil and gas prices have crippled much of the energy-heavy TSX, but broader economic headwinds are also causing damage. Today we are going to look at two companies in completely different sectors that have seen their respective stocks sharply plummet in 2018. Both are at or have reached a 52-week low over the past five trading days.

Is there any reason for investors to buy on the dip today? Let's dive in.

Maxar Technologies (TSX:MAXR)(NYSE:MAXR)

Maxar Technologies fell 3.24% on December 10. Shares have plunged a stunning 77% in 2018 so far. Back in early November, I'd discussed Maxar's steady decline since the summer as well as its precipitous drop after an earnings release in late October.

Maxar found itself the target of a short-selling campaign in August, which alleged that its dividend was at risk and it was due for a sharp readjustment due to accounting errors. The company offered a firm rebuke in the immediate aftermath of the short-selling attack, reaffirming its full-year guidance. However, Maxar's October 31 third-quarter report vindicated Spruce Capital Management's claims and sent the stock crashing to fresh 52-week lows.

The company is now making strategic adjustments, including planned asset sales, but segments outside its GeoComm business have continued to perform well in 2018. Maxar last had an RSI of 31, which puts the stock just outside oversold territory. The stock is a risky buy as the company hopes to climb back in the fourth quarter, but value investors may be swayed by its 8.1% dividend yield.

Roots (TSX:ROOT)

Roots stock plunged 7.23% on December 10. Shares have dropped 71% in 2018 so far. The company reported yet another weak quarter in Q3 2018 on December 5.

Net income in the third quarter was reported at $2.8 million, or $0.07 per share, compared to $5 million, or $0.12 per share, in the prior year. Adjusted earnings per share fell to $0.11 compared to $0.34 in the prior year. Revenue came in at $87 million, which was well below analyst expectations. Roots blamed the poor results on the warm fall weather and strong numbers last year, which were bolstered by Canada’s 150th anniversary.

Roots sharply cut its full-year sales estimate for fiscal 2018 to between $358 million and $375 million compared to its estimate of $410 million and $450 million when it initially released its IPO. The company’s IPO was a disappointment in October 2017. At the time, I had recommended investors look elsewhere in the retail clothing sector.

Roots stock boasted an RSI of 31 as of close on December 10, which puts it out of oversold territory, even after a brutal plunge over the last several weeks. Investors should continue to look elsewhere for opportunities in retail, as Roots is in desperation mode ahead of the holiday season.

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aocallaghan