Profit from Panic: 3 Top Contrarian Stocks to Buy Now

Description

Hello, Fools. I'm here again to highlight three stocks that are down sharply over the past week. Why? Because the greatest stock market wealth is made by buying solid companies:during periods of extreme pessimism; when they're being ignored by professional analysts; or when they're available at prices below intrinsic value.

The **S&P/TSX Composite Index** gained about 1.3% last week, so it might make some sense to go digging for some contrarian value plays.

Let's get to it.

Spoiled quarter

Leading off our list is **MTY Food Group** (TSX:MTY), which fell 12.6% on Friday.

The stock had been rolling for several months, but a disappointing Q4 is forcing investors to recalibrate their expectations. During the quarter, same-store sales — a key metric in retail — declined 1.3% due to unusual weather conditions in the U.S.

"For fiscal 2019, we expect ongoing competition and increased volatility in earnings, driven by unpredictable weather conditions and the variations in the price of commodities and currencies," warned CEO Eric Lefebvre.

On the bright side, cash flows remain strong — up 26% to $30.2 million — while the dividend was increased 10% last month.

Shares of the restaurant operator are now off about 17% from their 52-week highs and trade at a P/E of 13.

Cooked goose?

Next up, we have winter apparel specialist **Canada Goose Holdings** (TSX:GOOS)(NYSE:GOOS), which is down 11% over the past five days.

The company's Q3 results were quite impressive on the surface. Diluted EPS spiked 66% as revenue jumped 50% to $399 million — both well ahead of expectations. However, a decline in profit margins — due to higher labour costs in Ontario and expensive overseas investments — is triggering near-term concerns on Bay Street.

That said, management remains confident in the company's long-term growth.

"We have successfully entered new markets, introduced new product, and increased capacity to meet growing demand in both channels," said President and CEO Dani Reiss. "We remain deeply confident in the long runway we have ahead."

The stock is now down about 30% from its 52-week highs.

Box-office bomb

Rounding out our list is entertainment giant **Cineplex** (TSX:CGX), whose shares sank 7.4% on Friday.

Triggering the drop was a disappointing decrease in Q4 earnings — EPS of $0.43 vs $0.45 in the year prior. Management blamed the results on a 3.2% decline in theater attendance, which is particularly worrisome as several "buzz" movies made their debut during the quarter.

On the bullish side, revenue, box office revenue per patron, and concession revenue per patron were all up slightly.

"[W]e are encouraged by the outlook of the 2019 film slate and confident in our strategic direction as we continue to build scale in our other businesses, prudently manage our costs and execute on Cineplex's diversification strategy for future growth," said President and CEO Ellis Jacob.

Cineplex shares are down 30% from their 52-week highs and sport a juicy yield of 6.9%.

The bottom line

There you have it, Fools: three contrarian value plays worth looking into.

As always, they aren't formal recommendations. Just view them as a starting point for further research. Trying to catch a falling knife is fraught with risk, so plenty of due diligence is required.

Fool on.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GOOS (Canada Goose)

2. TSX:CGX (Cineplex Inc.)
3. TSX:GOOS (Canada Goose)
4. TSX:MTY (MTY Food Group)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/06/28
Date Created
2019/02/18
Author
bpacampara