



Contrarian Investors: Should You Buy Barrick Gold (TSX:ABX) or Bombardier (TSX:BBD.B) Stock Today?

Description

Contrarian investors are constantly searching for reliable stocks to add to their [portfolios](#) on the hopes of picking up some big gains on a recovery in sentiment or improved business conditions.

Let's take a look at **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) and **Bombardier** ([TSX:BBD.B](#)) to see if one deserves to be on your [buy list](#) right now.

Barrick

At the end of 2015, Barrick was on the verge of being buried by its US\$13 billion debt load. Tumbling gold prices combined with ill-timed acquisitions put pressure on Barrick's cash flow, and the debt situation got to the point where some analysts thought the company might go bankrupt. The stock had fallen from a 2011 peak of \$54 per share to below \$10 in just four years.

The management team then embarked on an aggressive restructuring program that saw the company reduce debt to around US\$5 billion, and a new focus on quality assets put the emphasis on growing free cash flow rather than simply growing at all costs. Once the turnaround was mostly complete, Barrick took advantage of an opportunity to merge with Randgold Resources.

The new Barrick owns five of the top 10 mines on the planet. Randgold brings key expertise in Africa where Barrick has struggled.

The stock has started to recover amid the latest surge in gold prices but still appears cheap. Barrick currently trades for \$18 per share at a gold price of US\$1,340. When gold hit \$1,360 in July 2016, Barrick traded at \$29 per share. All things being equal, investors could see the stock jump 50% off the current level if gold can extend its recent rally.

Bombardier

Debt continues to be a big issue for Bombardier. The company has about US\$9 billion in debt and is running out of time on its five-year turnaround plan to actually get the company back on its feet. The stock dipped below \$1 per share in early 2016 when it appeared the company was headed for bankruptcy. Discounted CSeries sales to **Air Canada** and **Delta Air Lines** temporarily saved the day, and investors eventually pushed the share price back above \$5 last summer on the hopes that the sale of the Cseries program to Airbus would generate a wave of new orders. Things haven't worked out that way and cash burn remains an issue.

At the same time, Bombardier recently reduced its 2019 revenue outlook by US\$1 billion, citing ongoing difficulties in both the rail and remaining plane divisions. The stock is down to \$2 again, and ongoing volatility should be expected.

Traders have done well with the stock and short-term opportunities to book gains on a pop might continue. Long-term investors, however, continue to feel some pain. If you decide to bet on Bombardier today, I would keep the position small and be ready to exit the position on any meaningful bounce.

Is one more attractive?

Barrick appears oversold right now, and gold is at a point where it could be in the early innings of an extended recovery, especially if the trade war between the United States and China drags out and the U.S. is forced to cut interest rates. I wouldn't back up the truck, but Barrick would be my first contrarian choice today between the gold giant and Bombardier.

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Date

2025/09/25

Date Created

2019/06/06

Author

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