



## 3 Canadian Stocks That Could Go Bankrupt in 2020

### Description

Too many investors pay too much attention to the potential upside of a stock. Monitoring the downside is just as important.

For example, a 50% drop could erase more than five years of gains. When it comes to compounding capital, these lost years could reduce the future value of your portfolio by hundreds of thousands of dollars. In some cases, you may be losing millions.

If you're invested in the three stocks below, reconsider your positions immediately. Even if you don't own these stocks, their troubles could plague the rest of your portfolio, so pay attention to any overlap your investments may have.

### Start with oil

Oil markets have been a difficult investment for several years. After prices cratered from US\$100 per barrel in 2014, many companies have been stuck in purgatory, unable to decide if prices will rebound or stay depressed for extended periods of time.

While oil prices have ranged between US\$35 and US\$75 per barrel, they're now back to roughly US\$50 per barrel, close to the five-year average.

Because the future price environment is so unclear, many producers have been stringent with their spending. Take a look at the investor decks for nearly any oil company and you'll notice a common theme: cost reductions.

When oil was above US\$100 per barrel, companies were willing to spend anything to boost production, as nearly every project was economically viable. With oil at US\$50 per barrel, caution is in style. That's killing oil services companies that make money off exploration and drilling activities.

## Trican Well Service Ltd ([TSX:TCW](#)) is a perfect example

In 2014, the company had a \$3 billion market cap. Today, it's shrunk to just \$330 million, which is depressing given that over the last five years, Trican has posted a cumulative loss of more than \$1 billion.

Cash levels are down to around \$10 million despite total liabilities of more than \$200 million. It appears that there's enough runway for 2019, but 2020 may spell the end of Trican and other oil services companies.

## Watch the accounting

Accounting scandals can be brutal for shareholder wealth. Enron, of course, is the greatest example in history.

While it appears far less egregious than Enron, **Maxar Technologies Inc** ([TSX:MAXR](#))([NYSE:MAXR](#)) is facing accounting troubles of its own.

Last year, a short seller claimed, "Maxar's management team has engaged in a latticework of accounting schemes and shenanigans." Maxar has denied the accusations, but that hasn't prevented the stock from falling more than 80%.

"Maxar extended the depreciable lives of some long-lived assets not once, but twice in 2018, which effectively boosted reported earnings given the smaller annual depreciation charges," I [wrote](#) in April. "The acceleration of some tax credits along with one-time gains by changing the assumptions of its retirement plans also helped goose earnings."

Major money can be made by betting on accounting scandals, but much of the time, investors lose everything. Maxar stock is either worth considerably more or considerably less than its current share price. 2020 will likely be its year of reckoning.

## Risky business

Over the past 12 months, shares of **First Quantum Minerals** ([TSX:FM](#)) have fallen by more than half. This type of volatility is par for the course for a mining company.

While First Quantum appears on solid footing, conditions can change fast.

In September, 2014, the stock price exceeded \$25 per share. By January, shares were under \$3 apiece.

With \$11.5 billion in debt versus a market cap of \$7.7 billion and cash levels of \$1.8 billion, First Quantum remains vulnerable.

On May 20, a report surfaced that suggested Zambia's government will take control of a **Vedanta Ltd**

copper mine. *Reuters* reported that the country has “no plans” to seize First Quantum’s assets, but it’s far from a sure thing.

If government seizures accelerate, First Quantum could be in big trouble as early as next year.

## CATEGORY

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks
4. Tech Stocks

## TICKERS GLOBAL

1. NYSE:MAXR (Maxar Technologies)
2. TSX:FM (First Quantum Minerals Ltd.)
3. TSX:TCW (Trican Well Service Ltd.)

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