



## Investors: 3 “Must-Avoid” Stocks I’d Sell Immediately

### Description

Sometimes, the biggest wins in your portfolio aren’t the stocks you own. It’s the stocks you avoid that matter the most.

As Warren Buffett puts it, rule number one is to not lose money.

This is easier said than done, of course. Nobody sets out to lose money, but it happens to even the best of us. By far the easiest way I’ve found to avoid this fate is to focus on quality companies. If a stock is surrounded by scandal, then it’s likely not a buy at any price. There’s just too much uncertainty there, and if there’s one thing the market hates, it’s uncertainty.

Let’s take a closer look at three stocks that are on my “must-avoid” list — companies that I would punt immediately if they were in my portfolio.

### SNC-Lavalin

Although most of the recent scandal that plagued the company seems to be in the rear-view mirror, don’t delude yourself into thinking **SNC-Lavalin Group** (TSX:SNC) is out of the woods yet. One whiff of a new scandal could easily send the stock cratering another 20%.

We’re in the midst of the Canadian election season, which means opposition political parties will be trying their best to bring the SNC scandal back, so it’s fresh on Canadians’ minds. Journalists will also do some extra digging, potentially breaking part of the story that hasn’t been told yet.

Simply put, it’s too risky to consider buying the name today, which is a little bit ironic, because shares could easily rally if Justin Trudeau’s ruling Liberal party gets elected to another term.

The good news for embattled SNC shareholders is, the company is now flush with cash after completing a sale of its 10% stake in Highway 407, an asset many analysts considered the company's crown jewels. It still holds a 6.76% stake in the toll road. The bad news is the company just sold off a big part of its best asset to fix the balance sheet. Nobody ever wants to see that.

## CannTrust

It's amazing the difference a year can make.

Back at this point in 2018, many investors were bullish on **CannTrust Holdings** (TSX:TRST)(NYSE:CTST), because of the marijuana sector in general and what was viewed at the time as highly professional leadership. Then-CEO Peter Aceto formerly headed Tangerine, the online-based bank that was swallowed **Bank of Nova Scotia**.

Since then, it's been nothing but scandal. It all really started in July when CannTrust informed investors Health Canada identified non-compliance in certain aspects of the company's operations. The company was found to be growing marijuana in unlicensed locations. Then it was revealed the company's execs knew about the illegal weed being grown and did nothing about it.

The latest accusation leveled at the company is, it purchased marijuana seeds on the black market that ended up being used in CannTrust's operations.

With all this scandal and a multitude of other [pot companies](#) to choose from, investors shouldn't even consider an investment in CannTrust.

## Baytex Energy

While I still think **Baytex Energy** ([TSX:BTE](#))(NYSE:BTE) shares will shoot higher if crude oil recovers, we're now getting to the point where investors in the company are making a dangerous bet.

Baytex still has \$2 billion in debt — a number that has stayed stubbornly the same for years now. The company has US\$400 million worth of long-term notes that are coming due in 2021, and its revolving credit facilities must be renewed in the same year. If crude oil continues to be weak through 2021, the company may be forced to issue equity to help pay back some of its debt.

Simply put, the company is running out of time, and I see little on the horizon that could push crude oil prices meaningfully higher.

I'd rather see investors who are looking for exposure to the energy space buy a [higher-quality stock](#) — one that is also owned by Warren Buffett. There are just too many risks with a Baytex investment today.

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