2 Stocks That Lost Big in 2019 Could Rebound in 2020

Description

Being an effective investor often means being a contrarian. Contrarian investors don't bet on the stock market's momentum or the obvious growth stocks with robust track records.

Instead, they find winners from a pile of losers. The worst-performing stocks that have been oversold are usually great additions to a contrarian's portfolio.

With that in mind, here are two stocks that had a rough 2019 but could be trading below their intrinsic value at the moment and could be due for a massive rebound in 2020.

SNC Lavalin

2019 was an election year, and the ongoing campaigns intensified the public spotlight on this controversial stock at the worst possible time. Unsurprisingly, the stock lost 34.7% of its value over the course of 2019.

While the media focused on **SNC Lavalin's** (TSX:SNC) corruption scandal, the recent guilty plea and the $280 million fine, the company's problems stretch much deeper than that.

The company's total losses over the past four quarters are roughly $948 million, several times higher than the fine it was recently handed. Management believes turnkey projects have been dragging down performance. As a result, the board has appointed a new management team and is pursuing the sale of these underlying turnkey assets.

Considering the fact that the corruption scandal has been resolved, there's a new leadership team in place and the sale of underlying assets could unlock cash for further investments, it seems like 2020 could be a much better year for the engineering giant. Meanwhile, the public seems to have moved on from this issue.

I believe the turnaround will be painful and could take much longer than expected, but I can see a steady shift in investor perception that should benefit shareholders over the long term.

Husky Energy

While **Husky Energy's** (TSX:HSE) stock plunged 23.8% in 2019, these losses were tepid compared to the ones investors experienced in 2015 and 2018. In other words, Husky hasn't just had a bad year, it seems to be having a bad decade.

Of course, the severe correction in crude oil prices hasn't been kind to Husky's bottom line over these years. However, it appears that the dust may finally settle in 2020. Analysts expect oil prices to move modestly higher or stay flat this year.

Meanwhile, Husky's management forecasts better cash flow and margins over the next few years. The company is targeting $8.7 billion in annual cash flow in 2023.

At the moment, cash flow is $5 billion a year, while the company's market capitalization is $10.8 billion. In other words, the stock is trading at just over two times annual cash flow.

Meanwhile, long-term debt is just 38.7% of equity and the dividend payout ratio is a mere 45%. Altogether, this high-yield dividend stock appears to be excellently positioned for a rebound in 2020. Contrarians should keep an eye on this 4.6% dividend stock.

Bottom line

Working against the stock market's herd mentality is often the best way to find undervalued opportunities. Both SNC and Husky have had operational problems and public relations disasters over the past year.

However, both seem poised to make substantial gains in 2020, which is why contrarian investors with an appetite for risk should add them to their watch lists.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATRL (SNC-Lavalin Group)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date
2025/06/30
Date Created
2020/01/07
Author
vraisinghani