



## Sell Alert: 3 TSX Stocks I'd Ditch Right Now

### Description

Investors spend a lot of time thinking about which stocks to buy. But it's also important to know which stocks to avoid.

Investors would be smart to remember Warren Buffett's golden rule of investing. Rule number one, according to Buffett, is *never lose money*. This means an investment shouldn't just be analyzed only for its upside potential, but also its safety. Downside should always be kept in mind.

Let's take a look at three leading **TSX** stocks that don't pass this important test. These are vulnerable to further declines, slowly eroding away precious investor capital as fundamentals continue to decline. These are not stocks you want to own.

### Lassonde Industries

**Lassonde Industries** ([TSX:LAS.A](#)) dominates the juice business in Canada. Its brands include Oasis, Allen's, Fruite, and Del Monte, among others. The company also has a large private-label juice business in both Canada and the United States, and diversified into various sparkling beverages and wines. The firm also just completed a notable acquisition, buying the Sun Rype brand.

There's just one problem, however. Juice is a shrinking business and the fundamentals don't look poised to recover anytime soon.

Juice boxes used to be a staple in children's lunch boxes, but advances in nutrition have uncovered an inconvenient truth — juice is mostly sugar water, and many of the nutrients of fruit don't survive the conversion from fruit to juice. Some nutritionists say juice is just as bad for you as soda.

In 2018, after accounting for acquisitions, Lassonde increased its top line by a mere 0.1%. Profits have been slowly falling throughout 2018 and 2019. This weakness, combined with general investor bearishness on the sector in general, has pushed shares down to levels not witnessed since 2016. I believe more weakness will continue to be the story surrounding this company.

## IGM Financial

I've been a bear on **IGM Financial** ([TSX:IGM](#)) for years now, and strong markets keep proving me wrong. The company's key metric, assets under management, keep slowly rising as stocks do well.

IGM is the owner of Investors Group, Mackenzie Financial, and other prominent Canadian retail investing brands. This has been a great business over the years, but is beginning to show major signs of weakness. Investors are moving away from expensive mutual funds and putting their cash to work in cheaper options, like exchange-traded funds.

The company is taking steps to try and stem the bleeding by doing things like expanding into other markets — it made a big investment in China's largest wealth manager — and marketing itself to high-net worth clients.

I don't think those initiatives will be successful over the long term, however, particularly the latter. There's a lot of competition in that part of the wealth management market.

The major thing to watch out for is the security of IGM's dividend. If there are even rumblings the 6% payout might get cut, we could see the stock tank.

## Bombardier

Although I applaud the company's recent moves to exit some of its crummier businesses, there's still a lot to dislike about **Bombardier Inc.** ([TSX:BBD.B](#)).

It appears that management has been trying to [turn the company around](#) for years now; promising investors free cash flow is just a quarter or two away. Its CSeries program didn't really achieve success until Airbus took over the project, either, yet many of the same key manager remain at their posts.

Then there's the balance sheet, which can almost be considered a perpetual disaster at this point. The company owes creditors more than US\$9 billion — an amount partially offset by some US\$2.5 billion in cash — while only earning a fraction of that in EBITDA.

Even the transportation business, which many consider to be Bombardier's crown jewel, isn't a very good place to be — in this analyst's opinion, at least. It offers crummy margins and a commodity product. Cities don't care who makes their subway cars. They just go with the cheapest bidder.

## The bottom line

If you own Lassonde, IGM Financial, or Bombardier shares, I'd look at punting them immediately before they further violate Warren Buffett's most important investing rule. There are [so many other stocks](#) out there that deserve your attention.

### CATEGORY

1. Dividend Stocks

2. Investing

## **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)
2. TSX:IGM (IGM Financial Inc.)
3. TSX:LAS.A (Lassonde Industries Inc.)

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nelsonpsmith

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