



2 High-Risk TSX Stocks You Should Avoid Like the Plague

Description

The **Toronto Stock Exchange** (TSX) survived the COVID-19 health crisis in 2020, although some stocks are [still struggling in 2021](#). However, investors should avoid an international tourism company and a diversified utility company. Neither stock will be rising from the ashes anytime soon and are [high-risk investments](#) at the moment. An abnormal weather disturbance and a botched acquisition could even lead to bankruptcies in 2021.

Capital injection

The shares of **Just Energy Group** (TSX:JE)(NYSE:JE) tanked nearly 32% to \$4.96 on February 22, 2021, following its announcement of a potential \$250 million loss from the frigid Texas weather. The Canadian electricity and gas provider has a market capitalization of \$217.67 million.

Because of the staggering loss from the winter storms, Just Energy sounds a distress call. Management is holding talks with key stakeholders regarding liquidity issues and how to address them. Pacific Investment Management Company (PIMCO) is its largest shareholder.

Just Energy assured customers with a residential fixed-rate plan and month-to-month residential customers that there will be no rate increase in February. Texas Governor Gregg Abbot also announced that the Texas Public Utilities Commission will suspend or ban temporarily power companies from billing customers or disconnecting them for non-payment.

Given that the Texas crisis loss exceeds its current liquidity, **CIBC** analyst Mark Jarvi said Just Energy would require a capital injection. Two other Canadian utility firms, **Algonquin Power & Utilities** and **Innervex Renewable Energy** anticipate losses from the abnormal event, although both are bigger than Just Energy.

State of uncertainty

Transat AT (TSX:TRZ) is also in a predicament after the planned acquisition by **Air Canada** fell by the

wayside. The two companies had an agreement that if necessary regulatory approvals are not met by February 15, 2021 (outside date), either party can terminate the deal. Talks are ongoing on possible amendments to the agreement.

Transat did not get the European Commission's (EC) approval on time. EC regulators want additional information from Transat and Air Canada before deciding on the proposed acquisition by Air Canada. A decision could come in the first half of this year. Unfortunately, Air Canada told Transat it will not agree to extend the current outside date.

The \$189.86 million Canadian tour operator is at a loss after the latest fiasco. Meanwhile, Canadian businessman Pierre Karl Péladeau wants to start discussions with Transat now that it can technically entertain new buyers. Péladeau could lift Transat from the grave state of uncertainty.

He believes that a private investor like him taking over the business is more beneficial to travellers than an industry consolidation through an airline merger. Péladeau's offer is higher than Air Canada's revised proposal.

Some market observers say, Onex Corp, the same company that bought Canada's WestJet in 2019, is a potential buyer. Quebec Premier and founder of Transat, Francois Legault, said the province was looking at various scenarios for the ailing Transat, with or without Air Canada.

Looming disaster

The future of Just Energy and Transat hangs in the balance. Both companies are heading toward a permanent disaster unless a white knight comes into the picture. Even at rock-bottom prices, investors should avoid the stocks like the plague.

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