



## 2 Distressed Stocks That Are Cheap Buys Now

### Description

The stock market was predominantly [red](#) on mid-week with only the industrial sector out of 11 primary sectors advancing. The **TSX** finished below 19,000 for the fourth time since June 17, 2022. Momentum was clearly absent on July 6, 2022, with 49% of the Index's constituents declining and registered 64 new 52-week lows.

**Brookfield Business Partners** ([TSX:BBU.UN](#))([NYSE:BBU](#)) and **Karora Resources** ([TSX:KRR](#)) are distressed stocks with year-to-date losses hovering above 30%. However, both stocks are also the cheap buys right now. The share prices have fallen to only \$26.32 and \$2.97, respectively.

### Strong competitive position

Brookfield Business Partners owns and operates high-quality businesses, mostly providing essential products and services. It also belongs to the family of **Brookfield Asset Management** (BAM), one of the world's largest alternative investment management firms.

The \$1.99 billion global business services and industrials company is the flagship listed vehicle of BAM's Private Equity Group. Because of its diversified revenue sources (industrials, infrastructure, business, and corporate & other services), BBP has a strong competitive position.

In Q1 2022, total revenues increased 37% versus Q1 2021, although net income plunged nearly 99% to US\$19 million. Still, its CEO, Cyrus Madon, said, "We had a successful start to the year, generating strong financial performance and committing approximately US\$1.6 billion of equity across seven new investments."

Management looks forward to the further growth of its ownership base with the creation of Brookfield Business Corporation, its paired corporate entity. BBP is on a buying spree as part of its strategic initiatives. In March 2022, it entered a partnership to acquire a company in Audience Management Services.

BBP also signed an agreement to acquire an Australian firm engaged in Residential Mortgage Lending

Services. In April 2022, the company acquired Scientific Games, a global leading technology and services provider to government-sponsored lottery programs. BBP will soon own CDK Global Inc., a leading provider of mission-critical technology services and software solutions used by automotive dealers.

If you invest today, BBP pays a modest 1.21% dividend. However, the overall return in 12 months should be higher. Market analysts covering the industrial stock forecast the price climbing 110.87% to \$55.50 (average price target).

## Stronger second half

Karora Resources's total return in 5.01 years is 230% (26.95% CAGR). However, at the current share price, the gold stock is down 30.12% year to date. This \$516.18 million company owns and operate robust producing mines in Western Australia. Management's goal is to double its gold production to 200,000 ounces by 2024 compared to 2020.

In Q1 2022, management reported a 10% increase in consolidated versus Q1 2021 and a strong cash position (\$78.1 million). However, Karora incurred a net loss of \$3.7 million compared to the \$5.6 million net income from a year ago. Its chairman and CEO, Paul Andre Huet said temporary COVID-19-related cost and labour pressures had a significant impact on the quarterly results.

The company expects a stronger second half in 2022, notwithstanding continuing pressures on business operations. Market analysts recommend a buy rating and their 12-month average price target is \$6.94 (+133.67%).

## Recovery soon

No stock is immune from the current massive headwinds, although some are more distressed than others. BBP and Karora are down but should regain momentum and recover very soon.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:BBU (Brookfield Business Partners L.P.)
2. TSX:BBU.UN (Brookfield Business Partners)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

8. Yahoo CA

**PP NOTIFY USER**

1. cliew
2. kduncombe

**Category**

1. Investing

**Date**

2025/08/13

**Date Created**

2022/07/08

**Author**

cliew

default watermark

default watermark