Rebound Rockets: 2 Beaten-Down Stocks You'll Be Happy You Own in 2032

Description

Are you looking for beaten-down stocks with the potential for high future returns? If so, it pays to look into stocks that are down due to temporary macroeconomic headwinds. Sometimes the economy behaves in a way that's bad for certain industries, but very often, said industries recover. In this article, I will explore two stocks that have hit some economic bad luck recently but could recover by 2032.

Air Canada

Air Canada (TSX:AC) is one of the most beaten-down Canadian stocks of all. It fell precipitously during the March 2020 market crash and, unlike the rest of the market, still hasn't recovered.

Make no mistake: Air Canada is likely to experience even more turbulence in the near term. The company just recently got over the COVID-19 impact on travel, and now it's dealing with high jet fuel prices. It's just been one challenge after the other for AC. However, if we look at things objectively, we can tell that Air Canada, as a business, has improved from where it was this time last year.

In its most recent quarter, Air Canada delivered the following:

- $3.9 billion in revenue, up nearly 400%
- A $253 million operating loss, the narrowest since the start of the COVID-19 pandemic
- $444 million in positive free cash flow (free cash flow is a pure cash measure of profit)

These figures were all vastly improved from the same time a year before. The revenue, in particular, approached pre-pandemic levels! Although AC stock is down a lot over the last 12 months, its business is improving. This suggests that the stock will gradually inch its way up over the long term. This could take a very, very long time to play out though, so don't look to AC as a source of quick profits.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is a Canadian oil stock that has taken a beating since oil prices crashed in June. Suncor, like almost all oil stocks, thrived in the first half of the year when rising oil prices led to a string of solid earnings results. Later, though, oil prices fell, and Suncor fell right along with them. Today, SU is down 23.5% from its 52-week high.

Interestingly enough, though, Suncor's business is still growing. Its most recent quarter saw 76% growth in sales and 360% growth in profit. This quarter's earnings are likely to be down from that level, as oil prices were lower this quarter, but the results should improve on a year-over-year basis.

Oil prices are down from the summer highs but way up from 2021 levels. So, Suncor should still be growing its sales overall. Additionally, the company has retired billions of dollars in debt this year. Lower debt means fewer interest expenses, and fewer expenses means higher earnings holding everything else the same. So, Suncor may continue growing next year, even if oil prices stay flat.

That's not to say that Suncor Energy stock is a sure bet. Far from it. The company is dealing with a group of activist investors that are pressuring it to change the way it does things, and it has dealt with a number of workplace safety incidents this year. There are real risks. But when you've got a stock trading at 6.4 times earnings and 3.8 times cash flow, you've got to wonder whether the market is being overly pessimistic about it.

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Date

2025/08/25
Date Created
2022/09/20
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