



2 Stocks Under \$5 With the Potential to Soar in 2015

Description

Often, investors aren't willing to invest in companies that are trading under \$5 per share.

There are many reasons for this. First of all, there's the whole penny-stock stigma. Small stocks worth just pennies per share have been manipulated for almost as long as we've had stock markets, and so many investors will cast a very wide net in order to make sure they never get caught up in it.

Other investors won't think about cheap companies because they don't want to invest in something that's struggling. It's a whole lot more fun to say that you own **Tesla** or **Amazon** at a cocktail party than trying to explain why you think yesterday's high flyer can make a comeback.

Ironically, many of the struggling stocks are filled with opportunity. Yes, there are a bunch that are definitely toxic, but scattered among them are some that offer great potential. These companies have the ability to double or even triple their share price, assuming everything goes right. They're also risky, but it comes down to a simple risk-and-reward equation.

Here are two such stocks that I think, at a minimum, warrant some close examination.

Bombardier Inc.

2014 was a trying year for **Bombardier Inc.** ([TSX:BBD.B](#)). The company continued to have issues with its new CSeries line of business jets, pushing first deliveries from the project back another six months to the latter part of 2015.

Additionally, the company announced it had to raise both debt and capital earlier this year. Between all these events, the stock really took it on the chin, falling nearly 40% over the 52 weeks to \$2.50 per share. Pundits even openly talked about bankruptcy being a legitimate possibility, myself included.

But now that I've had a few weeks to think about Bombardier's fate, I think bankruptcy is unlikely. First of all, the wealthy controlling family still has the ability to invest in the company and actively took part in company fundraising a few weeks ago. Additionally, the Quebec government stands ready to step in as a lender of last resort.

Besides, entering bankruptcy at this stage doesn't make sense. The first CSeries jets are scheduled to be delivered to customers later this year, which will help cash flow immensely going forward.

Penn West Petroleum Ltd.

Over the past few years, it's been pretty much nothing but bad news for **Penn West Petroleum Ltd.** (TSX:PWT)(NYSE:PWE) shareholders. It started out with a series of ill-advised acquisitions, followed by weakness in the natural gas market, and escalated with a minor accounting scandal. The decline in oil is just the cherry on top of the sundae.

Before oil collapsed, Penn West was doing a lot of good things. It was cutting costs aggressively and bringing up cash flows in the process. It was focusing on three areas with solid economics, and management was aggressively selling assets to get the company's bloated debt load under control. And for the most part, it was working—at least until crude threw a wrench in the plans.

If you believe that oil will recover, Penn West might be the cheapest energy company on the planet. The company's share price is just \$2.50, but tangible book value is more than \$10 per share. In 2014, with an average realized energy price of about \$85 per barrel, Penn West is likely to generate about \$900 million from operations. The stock's market cap is currently \$1.24 billion. There's massive upside in this stock if oil returns to normal levels.

There's also a lot of risk. Penn West still needs to sell assets to help its debt situation, something that's not very likely in this type of market. Essentially, the company needs oil to recover soon, or else 2016 is likely to be pretty messy.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:AMZN (Amazon.com Inc.)
2. NASDAQ:TSLA (Tesla Inc.)
3. TSX:BBD.B (Bombardier)

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