3 Stocks Under $3: Will They Double or Disappear?

Description

Some of Canada's previous high fliers are now trading at abysmally low levels. These names carry a lot of risk, but there is also some serious upside potential if they can catch a bit of a break.

Let's see if **Penn West Petroleum Ltd.** (TSX:PWT)(NYSE:PWE), **Kinross Gold** (TSX:K)(NYSE:KGC), and **Bombardier Inc.** (TSX:BBD.B) are capable of returning to their former glory.

Penn West Petroleum

The oil rout has hit Canadian producers very hard, but one of the biggest casualties is former energy darling Penn West Petroleum.

In fact, the shareholder pain has been going on for quite some time. Back in 2006 the stock traded for more than $40 per share, but it has been on a downward slide ever since and now trades for less than a dollar.

You might be wondering why anyone would want to place a bet on such a lame horse, but the company is so oversold right now that any meaningful recovery in the price of oil could send the shares soaring.

Penn West still owns attractive assets, and the company could survive in the right environment. Unfortunately, the clock is now ticking, and while the company's bankers have been lenient so far, that trend isn't likely to continue if oil continues to slide.

This one isn't for the faint of heart and there is a good possibility that Penn West will disappear in the next 6-12 months if crude prices don't rebound.

Kinross Gold

Back in 2010 Kinross paid US$7.1 billion to acquire Redback mining in what is arguably one of the worst deals ever done in the mining industry.

Since then the company has written off most of the purchase and worked hard to put itself back on solid ground.

Unfortunately, gold prices have plummeted over the past four years and Kinross is now trading for about $2 per share. Five years ago it fetched nearly $20.

The interesting thing about Kinross is that it finished Q2 2015 with cash and cash equivalents of $1.03 billion and is tracking at the high end of its production guidance.

But here’s the problem: Q2 all-in sustaining costs were $1,011 per ounce sold, so margins are getting pretty tight.

If gold is finally at its bottom, Kinross looks like a reasonable bet and the stock could soar significantly on a bullion rally. The huge cash position also makes Kinross a possible takeover target.

Bombardier Inc.

Life has been difficult for Bombardier and its shareholders. The company has struggled to get its new CSeries jet program off the runway and that has been a disaster for the balance sheet.

The CSeries project is already two years late, more than $2 billion over budget, and still eating through cash at supersonic speed.

Earlier this year the company cut its dividend and raised funds to help stay afloat while it tries to get the new jets certified and delivered.

Bombardier is now at a pivotal point. The company has about $3 billion in cash on the balance sheet and is burning through about $1.5 billion every six months. If it succeeds in selling a part of its rail business for $1-1.5 billion and then delivers the first new planes in early 2016, it might be able to stop the bleeding and start its recovery.

Last month Bombardier hit a low of $1.03 per share, but the stock rallied back toward the $2 level last week on some encouraging news. That’s the kind of gains contrarians are excited about and a double from the current level could be possible if everything goes right from here on in.

If not, investors could see the stock back down to the loonie level by the end of the year.

Should you buy?

All three of these stocks are still very risky and investors should be prepared for some heavy losses if things don’t go as hoped. At this point, I would look elsewhere for turnaround opportunities.

CATEGORY

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
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Author
aswalker