



These 5 Stocks Under \$5 Have Huge Potential Upside

Description

If you believe the pundits, the world of penny stocks is nothing but crooked stock promoters pushing barely solvent companies in an attempt to get rich, and quick too.

Reality is a little different. Yes, there are certainly shady things going on with penny stocks. Many of these companies offer nothing more than hopes and dreams. But there are also very legitimate small (and large) companies that are in penny-stock territory for a myriad of reasons.

Here are five stocks trading for less than \$5 per share that investors should really be keeping their eyes on.

Bombardier

Bombardier, Inc. ([TSX:BBD.B](#)) has been one of the biggest stories in the business world over the last five years. Its fall from grace has been well documented.

But things are going much better of late. It recently upped 2017's guidance. CSeries orders are rolling off the assembly lines. The cash burn on the balance sheet has stopped. And recent job cuts should actually help the company hit profitability sooner rather than later.

Many investors forget Bombardier shares traded as high as \$5 each as recently as 2013. If it can return to those levels, that's an upside potential of more than 150%.

Baytex Energy

Baytex Energy Corp. ([TSX:BTE](#))(NYSE:BTE) just barely squeaks into the "under \$5 per share" club. Shares are trading at \$4.92 on the TSX as I write this.

The company is doing many things right. It has cut costs considerably. Capital expenditures are focused on the Eagle Ford area of Texas—its lowest-cost area. The \$1.8 billion net debt is a concern, but the company has until 2021 until any of it reaches maturity. That gives it time to weather this storm.

There's one big thing that would lift Baytex shares higher—the price of crude. Remember, the last time crude traded over \$60 per barrel, Baytex shares were worth \$20 each.

Kinross

Kinross Gold Corporation ([TSX:K](#))([NYSE:KGC](#)) exploded higher back in the first quarter as gold prices skyrocketed. Performance has been less impressive over the last six months; shares are down nearly 20%.

The company has a couple things going for it. It has relatively low all-in sustaining costs, although the metric did spike up to over US\$1,000 per ounce in the third quarter. It also has four different projects in various stages of development that look poised to add to the bottom line, although that won't happen until 2018 at the earliest.

Ultimately, Kinross needs the price of gold to head higher. After spending much of the last six months over US\$1,300 per ounce, the shiny metal has fallen back to earth. It currently trades at US\$1,185 per ounce.

Canaccord Genuity

Canaccord Genuity Group Inc. ([TSX:CF](#)) is one of Canada's forgotten investment bankers and wealth managers. Shares have taken a beating since 2014 highs, because much of the company's business came from the energy sector.

Shares are cheap on a number of different metrics. The company trades substantially under book value and has generated \$63 million in free cash flow over the last 12 months, putting shares at less than six times free cash flow. And remember, the company's shares sank this low back in 2012 before rebounding nicely. The same thing could happen again.

Atlantic Power

Much like Bombardier, **Atlantic Power Corporation** (TSX:ATP) has struggled mightily of late. After shares spent much of 2011 and 2012 flirting with \$15 each, disaster struck. The company cut the dividend twice before pulling the plug on it completely in 2016.

But shares are quite cheap, at least from a free cash flow basis. Over the last 12 months, Atlantic Power has generated \$103 million in free cash flow, putting shares at just over four times free cash. You won't find many companies in Canada cheaper than that.

Debt is a big issue, but the company is doing a nice job paying that down. The total amount owing was \$1.5 billion at the end of 2014. These days, total debt is under \$1 billion.

The bottom line

Penny stocks get a bad rap, but the fact is, each of these companies are poised for significant gains if a few things go right. Will you be sitting on the sidelines if such a thing happens?

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1. Dividend Stocks
2. Energy Stocks
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2. TSX:BBD.B (Bombardier)
3. TSX:BTE (Baytex Energy Corp.)
4. TSX:CF (Canaccord Genuity Group Inc.)
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