



## 2 Stocks Under \$5: Could They Double?

### Description

Contrarian investors are looking for beaten-up stocks that might be ready to start a recovery.

Let's take a look at **Bombardier, Inc.** ([TSX:BBD.B](#)) and **Baytex Energy Corp.** ([TSX:BTE](#))(NYSE:BTE) to see if one is attractive right now.

#### Bombardier

Bombardier's CSeries jet program is finally getting off the ground, but years of delays and cost overruns on the program have taken a toll on the balance sheet and the stock price.

At one point in early 2016, it looked like Bombardier might be headed for bankruptcy, despite receiving US\$2.5 billion in funding commitments from Quebec and the province's pension plan.

CSeries sales were struggling, and the drop in oil prices made the plane's fuel efficiency less appealing to airlines. Panic started to set in, and the stock fell below \$1 per share as investors figured it was just a matter of time before the company would seek creditor protection.

Then things began to turn around.

Bombardier secured large CSeries orders from **Air Canada** and **Delta Air Lines** and delivered seven planes by the end of last year. The company hopes to ship as many as 30 CSeries jets in 2017.

Bombardier's stock is now at \$2.30 per share, and investors are wondering if another double is on the way.

The company is still facing some strong challenges, so there would have to be a significant catalyst to move the stock much higher.

Debt remains a concern, and weak market conditions in the business jet segment coupled with competitive threats in the train business are strong headwinds to further gains.

If Bombardier secures another major CSeries order with a global carrier and does so at attractive

margins, the stock could take off, but a 100% gain from here is unlikely in the near term.

## **Baytex**

Baytex was a \$48 stock in the summer of 2014. Today, investors can pick it up for about \$4.30.

The ride down has been a painful one, and Baytex remains at the mercy of oil prices.

The company continues to carry a heavy debt load and is only targeting 3-4% production growth this year, so oil prices have to move higher for the business to generate enough cash flow to boost drilling.

Fans of the stock say it is oversold.

There might be merit to that line of thinking, given improvements on production costs and the fact that Baytex can comfortably live within its cash flow at current prices.

Baytex itself figures it is undervalued. The company says its net asset value is about \$9 per share right now, based on a reserve value of close to \$4 billion, less long-term debt and other obligations.

## **Is one a buy?**

Both stocks remain volatile, so I would keep any contrarian position small just in case things start to go sideways again.

That said, if you have an appetite for roller coasters and think oil is eventually headed higher, Baytex might be worth a small contrarian pick. If oil rallies, the stock could quickly double from the current price.

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1. Energy Stocks
2. Investing

## **POST TAG**

1. Editor's Choice

## **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)
2. TSX:BTE (Baytex Energy Corp.)

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