



2 Great Stocks Under \$10

Description

Finding a high-quality stock trading under \$10 is an exciting thing.

Firstly, it means the stock is more affordable for personal investors like you and me; secondly, these are smaller companies that are often ignored or overlooked by bigger institutional investors for no good reason except that they are too small, misunderstood, or unknown.

If we are right, and these companies are actually high-quality companies with really good business models and growth prospects, and if we could get in before big institutional investors do, then we can ride the stock up as demand for the shares increases.

So, here they are — two great stocks under \$10.

Western Forest Products Inc. ([TSX:WEF](#))

Western is among the companies that have been benefitting from the recovery in the U.S. housing market.

The company has been a consistent performer over the years and is in a sweet spot, as more than 74% of its lumber revenue is generated from non-commodity products, and this specialty lumber sells at a significant premium to commodity lumber.

This means that the company has a differentiated product, which makes it somewhat isolated from the supply/demand shocks that are all too common in pure commodity industries.

The company has been consistently free cash flow positive over the last five years at least, and in the second quarter, free cash flow was \$58 million versus \$42 million in the prior year — a 38% increase.

Furthermore, the company has initiated a strategic plan and continues to work on its \$125 million worth of projects that are aimed at reducing costs and productivity improvements. This should be reflected in the upcoming years through reduced costs and higher production.

Another bright spot is the fact that Western's balance sheet is virtually debt free, further mitigating the risk in the stock.

Ballard Power Systems Inc. ([TSX:BLDP](#))([NASDAQ:BLDP](#))

The fuel cell market continues to build momentum, as clean air becomes an increasingly important goal for countries across the world. From China to Europe to California, governments are showing more interest and activity in fuel cell vehicles.

Ballard has been involved in many different ways, including through partnerships and joint ventures. Revenue increased 51% in 2016, 39% in the first quarter of 2017, 50% increase in the second quarter of 2017, and gross margins are on the rise at 35% in the last quarter versus 18% in 2015.

Lastly, but very importantly, with no debt on the balance sheet and \$68 million in cash, the company has ensured that it has the flexibility and ability to respond to market conditions, support growth, and even look at potential acquisition opportunities.

So, if you're okay with a little more volatility, these stocks are great opportunities with attractive risk/reward profiles.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:BLDP (Ballard Power Systems Inc.)
2. TSX:WEF (Western Forest Products Inc.)

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