3 Ice-cold Stocks That Could Bounce in September

Description

"Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down." – Warren Buffett

I love a good comeback story. And in investing, nothing feels better than buying a completely forgotten stock and then watching it climb over time as investors come around to your way of thinking.

Buying high and selling higher can work. But the fact is that the greatest gains are made by investors who scoop up high-quality companies at discounted prices; are willing to purchase stocks that no one else wants; and are able to think independently.

In other words, buying stocks surrounded by bad news is almost a requirement to outsized wealth.

Of course, you can't just "dumpster dive" haphazardly. You need to be extremely cautious and choose carefully. You need to ensure that the worries surrounding a given a stock are temporary in nature.

With that in mind, here are three ice-cold stocks that have a chance at bouncing back in September. They've been beaten down over the past five days, but all have revenue above $1 billion — this helps us zero in on companies that actually have the strength to get better.

Company	5-Day % Price Change	Trailing 12- Revenue
Baytex Energy (TSX:BTE)(NYSE:BTE)	9.5%	$1.2B
Bombardier (TSX:BBD.B)	9.7%	$21.4B
Crescent Point Energy (TSX:CPG)(NYSE:CPG)	6.5%	$3.2B

As always, don't view these stocks as formal recommendations. Instead, view them as ideas worth further due diligence.

That said, Baytex catches my value-investing eye.

The Baytex blues

Baytex investors are on quite the roller coaster ride. After soaring about 50% in the month of April, the stock has fallen sharply since — it now sits roughly 35% from its 52-week highs. That kind of stomach-churning drop is tough to handle, but there’s good reason to bet on an upcoming bounce.

As my fellow Fool Andrew Walker noted last week, Baytex recently closed a big merger with Raging River Exploration — a move that should significantly boost both the company’s financial flexibility and production prospects.

Baytex says the deal increases its credit capacity to about $1.05 billion with $500 million undrawn. Moreover, management now sees 2019 production of 100,000 to 105,000 boe/day (85% oil and NGLs), with debt adjusted production per share growth of about 12%.

“I am thrilled that we have repositioned Baytex to deliver industry leading returns, attractive production growth and free cash flow, with a strengthened balance sheet,” said CEO Ed LaFehr. “Our vision is to create a self-funded North American oil producer focused on per share value creation with a target of 10 to 15 percent total annual returns.”

If (and it’s big “if”) Baytex actually delivers on its 2019 production forecasts, I can’t see the stock doing anything but soar — as long as oil prices don’t crater, of course.

With a beta above four, Baytex isn’t exactly for conservative risk-averse investors. But if you have a long time horizon and are willing to take on the volatility, the stock’s risk/reward tradeoff is intriguing. Baytex is clearly a better company today than it was just a few short weeks ago, yet the stock has yet to reflect that fact.

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