Double Your Money With 1 of These Stocks

Description

Here are two stocks that can deliver ridiculous returns. Let's take a look at each high-return opportunity to see what's going on.

ZCL Composites (TSX:ZCL) stock has fallen by more than half from its 2017 high. The company makes and ships environmentally-friendly tanks to store fuel, water, oil, or gas in North America.

Its revenues and earnings have fallen for about two consecutive years. In the first half of the year, ZCL's revenue declined by about 7.5%, and its adjusted EBITDA fell about 39%.

The drop in profitability really stretches ZCL's payout ratio, which has investors worried about a potential dividend cut. Its shareholders should not expect a special dividend next year unless the business starts turning around.

The former CEO just retired early this year. Since the new CEO just came on board in early September, investors should give time for the new guy on the job to turn the company around.

We aren't going to see a turnaround of the stock until the company's business picks up or has a positive outlook. Having revenue growth would be a good start.

Notably, ZCL has a very clean balance sheet with no long-term debt as of the end of the last reported quarter. Its trailing-12-month net margin was 8.7%.

So, on greater demand for its products, ZCL should trade significantly higher — potentially at the $12-per-share area again, which would represent almost 80% upside from $6.67 per share as of writing.

The analyst consensus from **Thomson Reuters** has a 12-month target of $11.50 per share on the stock, which represents nearly upside potential of about 72%.

Image source: Getty Images.

Baytex Energy (TSX:BTE)(NYSE:BTE) is presently a speculative investment. However, it can quickly turn into a value investment. In the last four reported quarters, Baytex generated about $327.7 million of operating cash flow. Because of capital expenditures of about $328.3 million, it was free cash flow negative.

After the merger with Raging River, Baytex estimates 2019 production of 100,000 – 105,000 barrels of oil equivalent per day and adjusted funds flow of $900 million with about 64% as sustaining capital, 25% as growth capital, and 11% as debt repayment.

Assuming a WTI oil price of US$65 per barrel, Baytex expects to generate strong free cash flow that can be used to more quickly deleverage its balance sheet, grow the company, or to even reinstate its dividend.

The analyst consensus from Reuters has a 12-month target of $6.19 per share on the stock, which represents almost a double from $3.11 per share as of writing.

Investor takeaway

Because ZCL and Baytex have above-average risks, they could very well have more downside in the near term. So, interested investors should look for some support for the stocks before jumping in.

When things get better, the stocks can climb significantly higher. Investors who can stomach the risk can consider reasonable allocations in these types of stocks to aim for an outsized gain averaged across their positions.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:BTE (Baytex Energy Corp.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/23
Date Created
2018/10/21
Author

kayng