Aggressive Contrarians: 2 Deeply Discounted Canadian Stocks That Could Realistically Double

Description

October's correction left many TSX stocks in a world pain. I think the damage has been overdone for some stocks that could be in for an abrupt correction to the upside once the dust has a chance to settle on a market, which has been anything but rational of late.

So, without further ado, let's have a closer look at three casualties that might catch the eye of deep-value investors.

AltaGas (TSX:ALA)

Here's a company whose dividend keeps getting bigger, and not because of dividend hikes either. The company has plunged deeper into the abyss this October after many years of being in free-fall mode. Up until now, if you'd tried to catch the knife on the way down, you would have gotten badly hurt, and although the stock may seem like a deep-value play today, one can't help but worry about the company's sub-par balance sheet, which has been dragged down by debt.

More recently, AltaGas announced a "Balancing Funding Plan" which seeks to dispose of up to $2 billion worth of assets. At the time of writing, AltaGas has a 14.4% dividend yield, which looks anything but safe, but still, aggressive income investors may still be hopeful for an **Enbridge**-style scenario, whereby management commits to its dividend promises in spite of its unfortunate circumstances involving excessive amounts of debt.

As fellow Fool contributor Haris Anwar stated in his piece, it's "obvious" that Altagas requires a much bigger "adjustment before the company could meaningfully come out of its debt trap." I think Anwar is right on the money, but after October's cliff, I think deep-value investors may want to start nibbling on the way down, because I believe we are closer to the bottom than the top when you consider the somewhat promising commentary from management and its latest plan.

Canopy Growth (TSX:WEED)(NYSE:CGC)

Canopy fell 41% from peak to trough during the broader marijuana market's "sell-on-legalization" correction. I think this is the correction that long-term investors have been waiting for, because odds are, the speculators with the weakest of hands have already taken off for the hills.

In the coming weeks, we could realistically see Canopy fall to the levels where its dance partner (the alcohol investor whose name you're probably well familiar with) jumped in with its second investment. If investors can average a cost basis around these levels, which I believe could act as a solid base, I think the risk/reward trade-off would be more than favourable.

I think Canopy is the best-in-class pot stock with the least amount of downside, and the most upside potential should the pot trade begin to heat up again like it has so many times in the past.

Foolish takeaway

AltaGas and Canopy are two aggressive buy-the-dip stocks that could easily double from today's levels, but be warned. These are highly volatile names that aren't suitable for anybody but the most seasoned of investors who are no strangers to dangerous levels of volatility. If you weren't invested during the Financial Crisis, then odds are, the two plays mentioned in this piece may be "too hot" to handle for your portfolio, so there's no shame in enjoying the show comfortably from the sidelines.

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joefrenette