



Contrarian Investors: 3 Interesting Stocks Under \$5

Description

Contrarian investors are constantly searching for unloved stocks that could deliver big gains on an improvement in market conditions or a change in sentiment.

Let's take a look at three stocks that now trade for less than \$5 and see if one should be on your [buy list](#).

Kinross Gold

Kinross Gold ([TSX:K](#)) ([NYSE:KGC](#)) was a \$40 stock in early 1996. Today investors can pick up the gold producer for \$4.70 per share. A quick look at the chart would deter most investors from even giving Kinross a second glance, but a deeper dive deeper into the situation suggests there could finally be some light at the end of the tunnel.

The company finished Q1 with total liquidity of US\$1.8 billion, including cash and cash equivalents of US\$407 million. Long-term debt is US\$823 million, so the financial situation is stable.

Kinross has cleaned up its balance sheet, and its first expansion at the Tasiast mine is now complete. The company recently confirmed its production guidance for 2019 and all-in sustaining costs should come down in the next few years. The company is profitable and rising gold prices should boost cash flow.

Baytex Energy

Baytex ([TSX:BTE](#))([NYSE:BTE](#)) was a \$48 stock in the summer of 2014 and paid an annualized [dividend](#) of \$2.88 per share. Today the dividend is gone, and investors can pick up the stock for about \$2 per share.

The company continues to carry a large debt load, which is why the stock is so volatile. Any time oil prices rise, the shares tend to catch a tailwind and when oil pulls back, as we have seen in recent

weeks, traders dump the stock.

Baytex owns attractive assets, especially its resource base in the Eagle Ford play in Texas. A sustained rally in oil back toward US\$70 would give the company the ability to chip away at the debt and fund extra drilling. At some point, it wouldn't be a surprise to see a takeover offer emerge for this company.

The latest drop in oil prices appears overdone, but trying to call a bottom is a risky move today.

Bombardier

Bombardier ([TSX:BBD.B](#)) appeared to be on track with its turnaround plan last year, and investors pushed the stock above \$5.40 from the 2016 low near \$0.80. Unfortunately, every time the market starts to believe things are improving, management comes out with another warning or disappointing quarterly result. Bombardier recently reduced its 2019 revenue guidance by US\$1 billion and might be selling its last regional airline operation.

Debt remains a challenge, and the rail division continues to struggle with production issues. In addition, the expected flood of orders from the A220 have not emerged since Airbus took a majority stake in the previous-named CSeries business.

The stock is back to about \$2 per share. That might seem cheap, but the outlook for the company isn't great today.

Is one an attractive contrarian bet?

All three stocks can experience percentage moves in either direction in a short period of time, so I would keep any position small.

If you are a gold bull, Kinross might be the best choice today. The balance sheet is in good shape and an extension of the recent rally in the price of gold could attract a wave of new funds into the miners. Kinross might also become a takeover target now that consolidation is ramping up in the industry.

CATEGORY

1. Energy Stocks
2. Investing
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TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
2. TSX:BBD.B (Bombardier)
3. TSX:BTE (Baytex Energy Corp.)
4. TSX:K (Kinross Gold Corporation)

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