



## Penny Stock Investors: 3 Dirt-Cheap Stocks Under \$5 With Huge Upside Potential

### Description

Despite pundits telling investors a cheap share price doesn't necessarily mean getting a good bargain, Canadian investors continue to crowd into inexpensive stocks.

I understand the thought process: buying 100 shares of a \$50 stock doesn't feel like you own much. But owning 2,500 shares of a \$2 stock makes someone feel much more successful.

I'm also convinced it's easier for a \$3 stock to double versus a \$50 one. That isn't to say an expensive stock can't double, because of course it can. It's just much easier to convince investors a \$3 stock is worth \$6 versus trying to convince them the same thing about a pricier stock.

With that in mind, let's take a closer look at three of Canada's best cheap stocks, companies trading at less than \$5 per share with some massive upside potential.

### Baytex Energy

The **Baytex Energy Corp** ([TSX:BTE](#))(NYSE:BTE) bull story is pretty simple. If oil recovers in a big way, so will Baytex shares. And if it doesn't, bankruptcy could very well be on the table.

Back in 2014, when oil was trading at \$100/barrel, Baytex shares were enjoying life at more than \$40 each. These days one Baytex share will set you back a little more than a toonie. I'm not saying the stock will retest the \$40 level anytime soon, but somewhere in the \$10 to \$20 range isn't outside the realm of possibility.

I really like Baytex's asset mix, too. The company's main asset is production in the Eagle Ford basin in Texas, a low-cost drilling area with plenty of pipeline access. Baytex also has heavy oil assets in Northern Alberta and is currently expanding its production in the Viking field in Saskatchewan.

Investors do have some time to wait for Baytex to recover, however. The company's costs are low enough it is free cash flow positive with \$50/barrel oil, and it has no major debt repayments due until 2021.

## BTB REIT

**BTB Real Estate Investment Trust** ([TSX:BTB.UN](#)) has become one of [Quebec's largest landlords](#). The company has 67 different properties spanning more than 5 million square feet of gross leasable area, mostly located in La Belle Province. It also owns property in Ottawa and London, Ontario.

The company has done a nice job growing over the last few years, increasing its total revenue from \$67 million in 2014 to more than \$90 million in 2019. It boasts an impressive mix of tenants, including various levels of government in its office buildings and retail space anchored by some of Canada's largest grocery chains.

Shares are cheap on a couple of different metrics. Net asset value is some 15% higher than the current share price, and it keeps creeping up with new acquisitions. And it's inexpensive on a price-to-funds from operations perspective, currently trading at approximately 10 times last year's number. Investors also get an 8.8% yield for waiting, a nice consolation prize.

## Bombardier

There's no doubt that Bombardier Inc. ([TSX:BBD.B](#)) [has its issues](#), but I'm the first to admit that I'm a big fan of the company's new strategy. The company is being transformed before our very eyes and hardly anyone is paying attention.

Management has finally made the difficult decision to get out of the airplane manufacturing business. First it sold the CSeries to Airbus. Then it sold the business jet division. And the company just recently announced it would sell its regional aircraft division to part of Mitsubishi, a deal that fetched US\$550 million plus the assumption of US\$200 million worth of debt. This is a good price for these assets.

This leaves the company with its transportation division, which manufactures subway cars along with providing repairs and maintenance for mass transport systems worldwide. This part of the business isn't flashy, but it should provide steady profits going forward. These profits can help get the company's balance sheet under control, which should end up being great news for the stock.

Bombardier's shares currently trade hands at \$2.25 each, with upside potential easily surpassing \$5 each in a few years from now. Providing everything goes right, that is. But be warned, investors: Bombardier is a risky stock.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)
2. TSX:BTB.UN (BTB Real Estate Investment Trust)
3. TSX:BTE (Baytex Energy Corp.)

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