



## 3 Monster Stocks Ready to Surge

### Description

To double, triple, or even quadruple your money, it's often necessary to take on more risk than usual. If you stay smart, you can make investments with big upside without sacrificing your entire portfolio.

We've scoured the markets for stocks with monster potential and mitigated risk. Here are your top options.

### Trust the cash flow

Companies can fake profits. Just look at Enron. Through all sorts of accounting methods — some legitimate, others outright fraudulent — executives can manipulate earnings to an incredible degree.

What you can't fake is cold, hard cash.

That's why paying attention to cash flow is so important. You can distribute cash however you'd like. Accounting profits, meanwhile, are purely theoretical.

**Encana** (TSX:ECA)(NYSE:ECA) is nearing a 15-year low and posted a US\$245 million loss last quarter. But if you dig into the cash flows, everything changes.

Last quarter, cash from operations totaled \$529 million. While capital expenditures ate into this figure a bit, management expects to generate plenty of free cash flow this year.

"All of our assets are generating free cash flow today," said CEO Douglas Suttles on the most recent conference call. "It's not something we are planning or promising to do, it is something we've done and something we are doing again in 2019."

While the market is only paying attention to accounting profits, the company is [betting on itself](#) by using this excess cash flow to repurchase shares.

The current US\$1.25 billion buyback program could see more than 10% of the company repurchased.

This could provide the fuel necessary for a rapid turnaround.

As early as last year, Encana stock was trading at \$17 per share — nearly 300% in upside.

## It's happening again

Encana isn't the only energy company struggling with a disconnect between accounting profits and cash flows.

**Crescent Point Energy** (TSX:CPG)(NYSE:CPG) stock is near a decade-long low, despite improved [cash flow prospects](#).

"We now expect to generate approximately \$600 million of excess cash flow in 2019 based on guidance at current strip prices," says CEO Craig Bryksa. That's more than 25% of its current market cap!

Last quarter, the company used this capital to pay down \$100 million in debt. It also repurchased \$5.6 million in shares representing just 15% its buyback program launched in January. With the stock price still struggling, expect to see repurchases ramp considerably this quarter.

Shares currently trade at 35% book value. In 2014, they traded at more than 200% book value. Even if its assets are impaired, management is likely making a big profit for shareholders by repurchasing stock.

Expect executives to spend big on buybacks until the share price recovers. By most NAV estimates, there could easily be 100% upside or more.

## Flip the coin

**Guyana Goldfields** (TSX:GUY) isn't like the other stocks on this list. Its future will essentially be a bet on its new resource model.

The stock has been crushed in recent years, down 90% since 2016. The issue was a massive flaw in its resource model, which overstated its reserves.

After the update, proven and probable reserves of gold fell by 1.7 million ounces — a 40% decline. The life of the mine was reduced to just 13 years.

The stock has been left for dead, but there's still value to be had. Adding net cash to the discounted value of the mine still results in a net present value of at least \$300 million. That represents 200% in potential upside.

The market won't give the company another chance, but if its new resource model is correct, shares should move significantly higher.

## CATEGORY

1. Energy Stocks

2. Investing
3. Metals and Mining Stocks

#### **TICKERS GLOBAL**

1. NYSE:VRN (Veren)
2. TSX:VRN (Veren Inc.)

#### **PARTNER-FEEDS**

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

#### **Category**

1. Energy Stocks
2. Investing
3. Metals and Mining Stocks

#### **Date**

2025/07/25

#### **Date Created**

2019/06/29

#### **Author**

rvanzo

default watermark

default watermark