



3 High-Risk Stock Picks for July

Description

Most investors don't want to add extra risk to their portfolio. But to get big upside — we're talking 100% or more — additional risk is necessary.

Sometimes the risk stems from betting on a turnaround. Other times, the risk comes from the high initial valuation. Whatever the reason, high-risk strategies can actually outperform the market; you just need to make sure that your upside potential more than compensates for the added volatility.

Just beware: buying the wrong high-risk stocks can destroy your portfolio. So, which stocks have attractive risk/reward opportunities that can double or triple in value? Here are your top three options to buy this month.

This stock is proof

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) is an expensive stock. Actually, it's *really* expensive. Shares trade at a whopping 24 times forward sales. For comparison, **Microsoft** trades at eight times forward sales while **Uber** trades at just five times forward sales.

No matter how you slice it, paying such a high premium for Shopify is a big risk, but for years, the risk has been more than worth it. Shares are up 100% over the past 12 months versus the **S&P/TSX Composite Index's** return of *negative* 1%. Since its IPO in 2015, Shopify shares have risen by more than 1,100%.

By taking a dominant market share in the quickly growing e-commerce sector, Shopify has created an asset-light business that can generate huge chunks of cash whenever the company opts to focus on efficiency versus growth. Revenues should continue growing at 30% or more per year until at least 2023. At that rate, the premium may be worth it. If the valuation doesn't keep up, expect a larger rival like **Apple** to [acquire](#) the company completely.

Bet on a reversal

Canada Goose Holdings ([TSX:GOOS](#))([NYSE:GOOS](#)) had been a “permanently expensive” stock for years. From 2017 through the start of 2019, the stock traded at a lofty 50-100 times forward earnings. That’s not nearly as expensive as Shopify, but then again, few stocks are. Still, the valuation represented a hefty premium versus the market and nearly every competitor.

Everything changed in late May, when Canada Goose stock lost a third of its value in a single trading session. Nothing really went wrong. Rather, the market simply had set expectations too high. Sales last quarter were strong, with a 28% increase Canada, a 36% rise in the U.S., and a 61% pop for the rest of the world. Gross margins also increased. These numbers look great — and they are — but the market had expected more.

After the steep drop, shares trade at just 32 times 2020 earnings. Because growth is still occurring at rapid speed, shares trade at just 26 times 2021 profits. This is a contrarian trade, but Canada Goose stock stands a good chance of [doubling](#) over the next few years.

Follow the master

BlackBerry ([TSX:BB](#))([NYSE:BB](#)) isn’t the company it used to be. It no longer manufactures phones, instead focusing on high-growth areas like cybersecurity and autonomous vehicles. The stock remains out of favour, but one reputable investor is buying a tonne of BlackBerry stock.

Prem Watsa is one of the most successful investors in recent memory. For more than 30 years, he has grown book value by more than 18% annually. Only Warren Buffett can match that track record. Watsa currently owns 95 million shares at an average cost of \$12.30 per share — a premium to today’s trading price.

In his latest shareholder letter, Watsa reiterated that “BlackBerry will be a growth company again, and its focus on security and communication could lead it to become an iconic company again.” I’d stick with this proven investing guru and bet on BlackBerry’s turnaround.

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TICKERS GLOBAL

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2. NYSE:GOOS (Canada Goose)
3. NYSE:SHOP (Shopify Inc.)
4. TSX:BB (BlackBerry)
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Date

2025/07/07

Date Created

2019/07/13

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