# 2 High Risk, High Reward Stocks to Buy in 2020

## Description

Most investors avoid high risk stocks. In a way, that means that these discounted stocks become *even more* discounted. You should never bet the farm, but these stocks could add significant upside when sized appropriately. For example, if you bet 2% of your portfolio on a stock that falls 50%, your portfolio only dips by 1%.



But if that 2% rose by 300% — a realistic possibility with these stocks — then your portfolio would increase by 6%. That's a pretty attractive risk-reward trade-off.

Which stocks can make the difference for your portfolio in 2020? The following picks are perhaps the highest risk, highest reward stocks you can find.

## A true moonshot

**Maxar Technologies** (TSX:MAXR)(NYSE:MAXR) stock has been pummeled. Over the past 12 months, shares are down more than 70%. Since the start of 2018, shares have shed nearly 90%. Any way you slice it, investors have felt the pain.

The biggest issue plaguing the company is concerns over accounting integrity. In 2018, Spruce Point Capital shorted the stock, betting that the price would drop considerably. The firm thought that there was at least 50% in immediate downside, but their long-term price target was $0.

According to Spruce Point's research report, Maxar was "engaging in a massive M&A accounting scheme to cover past problems." It was essentially charging management with fixing the books to fool investors. Given the steep price declines, the market seems to agree.

Yet some analysts have recently come out in favour of the company, arguing that depressed shares are now a bargain. For example, **JPMorgan Chase & Co.** recently rated shares a "buy" and set a price target implying 70% near-term upside.

With an equity value of $550 million and a debt load of $4.3 billion, bankruptcy risk is high. But judging from the slew of recent contract adds, it appears that Maxar's customer base is undeterred.

Deleveraging will be key, but an asset sale or two could change the story in an instant. If JPMorgan's bull case comes true, there should be much more than 70% upside in 2020.

## Everyone is fearful

Warren Buffett has been known to advise investors to sell when others are greedy and buy when others are fearful. When it comes to high-fear stocks, **Bombardier, Inc.** (TSX:BBD.B) is a textbook example.

Over the past 12 months, shares are down more than 60%. In August, it posted yet another loss and slashed its adjusted full-year earnings forecast from roughly $1.6 billion to just $1.25 billion. The stock price is now dangerously close to breaching a 25-year low.

When it comes to businesses, I'm not a fan of Bombardier. The company makes heavy industrial equipment like planes and trains. This is an incredibly capital-intensive business, requiring billions in capital every year just to survive. When financing markets tighten, Bombardier nearly always faces trouble.



Yet even bad businesses can become under-priced, especially given that Bombardier still has some prized assets. It owns a 38% stake in the **Airbus** A220 plane lineup, launched the industry's longest-range business jet, and is looking to monetize two aerospace plants in Belfast and Morocco.

Over the next 12 months, Bombardier is set to become a much more streamlined company. If it succeeds, the current pessimism could reverse quickly.

Other industrial stocks like **Spirit AeroSystems Holdings, Inc.**, **Siemens Ltd**, and **General Electric Company** trade between 0.6 and 1.1 times forward sales. Bombardier, meanwhile, trades at just 0.15 times forward sales. If it can revert to the industry average next year, there should be at least 300% in upside.

**CATEGORY**

1. Investing
2. Tech Stocks

**TICKERS GLOBAL**

1. NYSE:MAXR (Maxar Technologies)
2. TSX:BBD.B (Bombardier)

**PARTNER-FEEDS**

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

**Category**

1. Investing
2. Tech Stocks

**Date**
2025/08/25
**Date Created**
2019/10/12
**Author**
rvanzo