2 Contrarian Stock Picks to Buy in 2019

Description

Buying cheap stocks is a proven way to get rich. But buyer beware: some stocks are cheap for a reason. Knowing when to be contrarian and when to follow the crowd is a crucial skill for any investor.

Being on the wrong end of the equation is often a painful experience. Still, when you correctly identify a contrarian stock pick, the upside can be *enormous*.

If you want to buy stocks that can double or triple in price, now is your chance. If you wait until 2019 comes to a close, you may miss your opportunity, as both of the following stock picks have the potential to stage a turnaround quickly.

Whether or not those turnarounds occur this quarter or next quarter, the upside potential is clear. In many scenarios, these stocks could run 100% or more in a matter of months. Long term, the upside could be even larger.

Home run potential

Maxar Technologies (TSX:MAXR)(NYSE:MAXR) is a controversial stock, but the upside could be the largest on this list. In 2018, the company was riding high with a $3 billion valuation.

Investors were expecting impressive long-term growth given Maxar specializes in high-tech space equipment including sensors, satellites, and radar. Revenues in 2018 came in at $2.8 billion, a 31% increase from the year before. The future appeared bright.

Then, in August of 2018, Spruce Point Capital ruined the party. Spruce Point bet big that Maxar’s price would fall in value given its belief that management materially over represented the value of the company.

The firm charged Maxar with financial mismanagement that bordered on fraud, including a "…brazen accounting scheme including inflation of intangible assets to overstated non-IFRS EPS." The stock has fallen by more than 80% since this report was released.

Yet management continues to argue against Spruce Capital's bear thesis. In addition, the company continues to land new contracts with reputable customers that appear unfazed by the allegations.

This September, **JPMorgan Chase & Co.** upgraded Maxar shares, assigning an "overweight" rating that implied 70% upside. If Maxar can regain the trust of the market, there could be much higher upside than that.

Unfair punishment

Canada Goose Holdings Inc. (TSX:GOOS)(NYSE:GOOS) is also a controversial stock. For years, shares traded at a premium valuation, sometimes as high as 150 times trailing earnings.

Today, the stock is priced at just 40 times trailing earnings. Looking ahead, the stock is priced at just 32 times forward earnings. That's a downright steal.

The big dip in valuation isn't because the business is shrinking, but rather because it's not growing as fast as it once did. Over the previous three years, sales have grown by roughly 50% annually.

Yet over the next 12 months, sales are expected to grow by only around 30%. Long term, management is targeting annual revenue growth between 20% and 30%. That's still impressive, but below what the market had been pricing in.

Now that shares have come down to earth, however, the cheap valuation is hard to ignore. Margins are rising, brand loyalty is sky-high, and there's ample room for global growth in rapidly-growing economies like China.

If Canada Goose can repeat its domestic success in other countries, it's not difficult to see this becoming a $20 billion business by 2030. That's 300% upside in just 10 years, and given the recent pullback, you don't have to pay much for the opportunity.

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TICKERS GLOBAL

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2. NYSE:MAXR (Maxar Technologies)
3. TSX:GOOS (Canada Goose)

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