



2 High-Risk, High-Reward Stocks to Consider Buying Today

Description

Most people know one of the general rules in life is that you can't expect to make any reward without taking a risk, and there is no place where that is more prevalent than in the stock market.

The goal of all investors is to try and quantify that risk and then quantify the potential rewards that exist to determine whether or not a stock is worth an investment.

That is why investors use many strategies to minimize risk, while keeping the same level of exposure to the upside.

If you are good and consistent at analyzing risk, then intuitively, as you are willing to take on more risk, the greater the potential for rewards will be.

When increasing your risk tolerance, though, you always need to be strategic about it and limit the exposure to your portfolio, so you don't do something catastrophic.

Two stocks for those investors looking to take on a little more risk are **Canadian Tire** ([TSX:CTC.A](#)) and **Pizza Pizza Royalty** ([TSX:PZA](#)).

Canadian Tire

Canadian Tire has faced pressure from investors recently because it's in the highly competitive retail industry, and it has faced increased scrutiny over the exposure it has to Canadian consumer debt levels through its financial arm.

Despite the concerns investors have for its future, in the present, Canadian Tire continues to execute.

It's a stock I would recommend for investors willing to take on these risks and are looking for upside potential through capital gains.

Canadian Tire has grown impressively through acquisitions over the past few years. It has increased

its scale considerably, and it's now using that to its advantage.

This past week, it announced plans for up to \$200 million in cost savings by centralizing its operations among all brands in its portfolio.

It also raised the dividend, though this was after it missed on earnings slightly.

Its ability to implement these cost-saving measures and consequently increase the dividend is a direct result of its larger scale and operational strength.

There is clearly potential for Canadian Tire but also some headwinds, so investors should tread carefully. There are some risks that exist, as evidenced by some investor activity, but if Canadian Tire can manage those and perform to its capabilities, investors will be rewarded handsomely.

Pizza Pizza

Pizza Pizza has been an interesting stock to watch over the last year or so. The company has been struggling to increase its same-store sales, but it has been very consistent with its numbers.

Pizza Pizza receives a royalty from all sales in its royalty pool of restaurants, so all the fund is more or less concerned about are the sales numbers.

Since it aims to basically pay out all the money it makes, I'd recommend this as a stock for those investors willing to take on the risk and are seeking a high-yield, [passive-income](#)-generating stock.

Its dividend currently yields roughly 9.3%, which is up considerably in the last few weeks, as the stock has pulled back slightly.

Though it's definitely paying out more than it's making and has for the last few quarters now, the amount is minimal with payout ratios around 103%, which is what makes the decision to invest in Pizza Pizza so difficult.

Management has been funding the excess of the dividend with its cash reserve, expecting that by the time the reserve runs dry, Pizza Pizza will either have found those increased sales or decided to trim the dividend.

The problem is every quarter is so consistent in just missing the 100% payout ratio mark, it continues to seem like each quarter the next will finally be the quarter we see some growth.

It's a tricky conundrum, but it's definitely a stock to watch and pay attention to, because a dividend of 9.3% can be extremely rewarding, if Pizza Pizza can find the growth.

Bottom line

Adding risk isn't necessarily a bad thing, as long as the upside potential you are exposing yourself to is worth it and you know your portfolio can withstand any potential losses.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)
2. TSX:PZA (Pizza Pizza Royalty Corp.)

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