



Investors: These 3 “Lottery Ticket” Stocks Could Make You Rich

Description

One of the main advantages of a deep value investing approach is it comes with massive upside.

Here’s how it works. A stock that’s down 80%... 90%... or even 95% is usually a pretty risky pick – but with that risk comes great potential reward.

Even if a company recovers and returns to a mere fraction of its former glory, investors who get in at the bottom are looking at a 100-500% gain. Some of these stocks even offer 1,000% return potential.

Remember that a 1,000% gain is enough to turn a \$1 stock into a \$10 stock — enough to make a major difference in any portfolio.

This strategy comes with just one issue, however. There’s a reason why these stocks are down so much. They could easily keep falling or even go to zero. Investors must therefore be diligent in their analysis, ensuring that they put their money in the best possible opportunities.

Let’s take a closer look at three of the best “lottery ticket” stocks out there today, the types of companies that could make you quite wealthy if the investment works out.

Baytex

Baytex Energy ([TSX:BTE](#))(NYSE:BTE) has long been identified as a [deep value](#) investment in the energy sector.

The company has a pretty good collection of assets. Its Eagle Ford acreage in Texas boasts low operating costs, which leads to high netbacks on a per barrel basis. While its heavy oil operations in Alberta are less lucrative, these are assets with a long life that churn out predictable cash flow.

It has also recently expanded into the Viking field in Eastern Alberta and Western Saskatchewan, assets which are performing well.

There's just one problem. Baytex has a lot of debt. Total borrowings have been floating around the \$2 billion mark for years now; the company just can't seem to get the debt paid down.

It must deal with this relatively soon, with US\$400 million worth of notes and its US\$575 million revolving credit facility due for renewal in 2021.

But if the price of crude cooperates and the debt situation has a favourable solution, then Baytex shares have huge upside. The stock trades hands at \$1.50 today and soared to as high as \$45 per share back in 2014.

Bombardier

I've been [skeptical](#) on **Bombardier's** ([TSX:BBD.B](#)) turnaround plan before, but I will give the company credit. It's certainly making all the right moves.

The first step, which is almost complete, is getting out of the commercial aircraft business. The proceeds will be applied to the balance sheet, which has long been one of Bombardier's major issues. Yes, the company has some US\$3 billion in cash today, but it also has more than US\$9 billion in debt.

The next step is for the remaining parts of the company — which include business jets and the transportation division — to start generating serious free cash flow.

That cash can then be applied to debt, which should further boost the bottom line. That's the kind of positive momentum long-suffering Bombardier shareholders need right now.

Shares currently trade hands at less than \$2 each. The stock was as high as \$5.50 as recently as last year and has spent time over \$10 per share in the past. There's significant upside if the turnaround goes to plan.

BlackBerry

BlackBerry Ltd ([TSX:BB](#))([NYSE:BB](#)) has been in the midst of a turnaround plan for seemingly years now, but the share price just doesn't seem to cooperate.

In fact, despite the company making significant strides into the software space, the share price has declined pretty significantly over the last five years and is just a fraction of 2008's all-time highs.

The good news is that BlackBerry has plenty of interesting irons in the fire, which include some major potential home runs. The big one is its venture into self-driving car software, which could be a virtually limitless field if the company can ever figure it out.

It also has great potential in the massive Internet of Things sector, building software that can help the latest generation of smart devices connect to the web.

Unlike the other two companies featured, BlackBerry has a solid balance sheet with a large cash position. Patient investors can afford to take a position and not have to worry so much about bankruptcy.

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2. TSX:BB (BlackBerry)
3. TSX:BBD.B (Bombardier)
4. TSX:BTE (Baytex Energy Corp.)

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