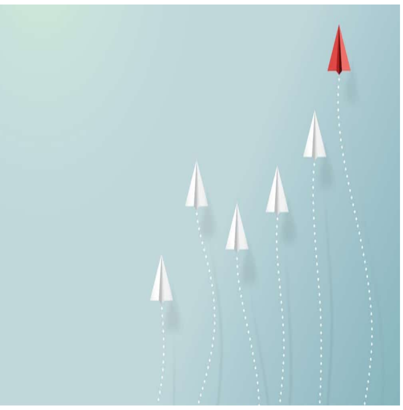

2 Beaten-Down Stocks With +100% Upside Potential

Description

Experienced investors know that it isn't easy to double your money. A 100% profit on any investment within a short period is usually rare. However, in rare instances, the market price of a stock falls well below its intrinsic value. If the undervaluation is severe enough, the upside potential could be huge.

Here are two stocks I believe that have been unfairly punished and pushed to unreasonably low valuations.

Molson Coors

Iconic booze brand **Molson Coors Brewing** (TSX:TPX.B)(NYSE:TAP) has had a tough year. The stock is down 12.4% year to date. The reason for this is simple: people are drinking less beer.

The company owns the popular Carling, Rickard's, Blue Moon/Belgian Moon, Keystone, and Pilsner brands and is one of the largest beer producers in North America. However, beer consumption on the continent declined 1.9% this year compared to last year. Considering the rise of microbreweries and the growing health concerns over alcohol consumption, this trend seems likely to continue.

However, the stock seems to have plunged far beyond the company's fundamentals. Molson Coors generated US$1.9 billion in operating cash flow and nearly a billion in levered free cash flow. That translates to $1.3 billion in levered free cash flow in Canadian dollars and implies a price-to-cash flow ratio of 11.

Also, the stock trades at a 25% discount to book value per share. In other words, it is severely underpriced and could deliver stunning returns if market value catches up to fundamentals. If the company's bets on emerging markets and cannabis-infused drinks pan out as expected, the potential stock upside could be 100% or more.

I believe the company's efforts to scale up these new verticals will finally show traction in 2020, which makes this the perfect time to add some exposure to this stock.

Pason Systems

Another unfairly punished stock is **Pason Systems** (TSX:PSI). 2019 has been an excellent year for technology companies and particularly favourable for companies based on the software-as-a-service model. However, Pason has been left behind because its software is focused on the oil and gas market.

Its software package helps oil drillers and natural gas extractors manage their rigs, collect data, monitor operations, and make business decisions based on data analytics. Since the price of oil collapsed, Pason stock has struggled to gain traction. However, the company has been profitable throughout and has invested its cash flows into research and development over this period.

Now, the stock offers a lucrative 5.9% dividend yield, maintains a 30% operating margin and 17.6% return on equity with low debt. If the oil market stabilizes or recovers, I believe this stock could quickly recover its lost market value.

Over the long term, the world still needs oil and gas to fuel growing consumption, which means Pason's software will be essential for decades to come. In the meantime, the company is further enhancing the business by diversifying into renewable energy. Pason recent acquired a number of smaller software startups in the solar power and energy storage industry.

Bottom line

Admittedly, both the stocks on this list are riskier than average. Beer and oil are volatile and shunned markets at the moment, which I believe provides contrarian investors a chance to add some undervalued stocks to their long-term portfolios.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TAP (Molson Coors Beverage Company)
2. TSX:PSI (Pason Systems Inc.)
3. TSX:TPX.B (Molson Coors Canada Inc.)

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1. Business Insider
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Category

1. Dividend Stocks
2. Investing

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