2 Unreasonably Battered Stocks That Could Correct to the Upside

Description

Mr. Market isn't always efficient at pricing stocks on any given day, which is why corrections (in both directions) are bound to happen.

Overvalued and overbought stocks that have soared above and beyond their intrinsic values stand to crash sharply on an event (like a quarterly earnings report) that acts as a reset to expectations.

On the flip side, oversold and underbought stocks that have been unfairly shunned by investors for prior bouts of underperformance could stand to enjoy a sudden upward spike in stock price on an event that suggests investors were too bearish.

This piece will have a look at two beaten-up stocks that could face a significant event-driven upside correction as soon as this year:

BlackBerry

Up first, we have **BlackBerry** (TSX:BB)(NYSE:BB), the smartphone-maker turned provider of enterprise software solutions. The stock has been unkind to investors thus far.

With a handful of acquisitions acting to complicate BlackBerry's already complex transformation further, many investors have grown fed up with the name under turnaround specialist CEO John Chen.

While BlackBerry hasn't made anyone money over the last few years (other than a few lucky traders), the stock is worthy of holding because of its outstanding assets and value-adding product offerings that could drive significant growth once BlackBerry can finally get some momentum going in its favour.

There's no question that the BlackBerry story is confusing, and operational hiccups could keep the stock depressed for an even longer duration. But given BlackBerry can give you a front-row seat to some of the hottest tech sub-industries (IoT and cybersecurity) of the new decade, the 1.4 P/Bmultiple, I believe, makes no sense even when you consider the haze of uncertainty that clouds thecompany's future.

Corus Entertainment

Corus Entertainment (TSX:CJR.B) is a dud of a stock that's light years away from its all-time highs. The stock suddenly found itself on the wrong side of a long-lived secular trend paid the ultimate price, with shares shedding over 85% of their value from peak to trough.

There are few things to be optimistic about with the old-school mass media and broadcasting company. It got left behind in the last decade, as disruptive new technologies changed the way people consume entertainment.

While I do think it's dangerous to bet on a business that has such strong headwinds, I'm also one to believe that there exists a price whereby any stock, even a crummy one, becomes a buy.

At $5 and change, Corus is one such stock. For the low price you're paying, you're getting a pretty rich cash flow stream that's not eroding as fast as the stock's decline would suggest.

Moreover, I think investors are heavily discounting management's efforts to leverage technology to amp up cash flows amidst the company's continued downward spiral.

Furthermore, I see Corus as a potential takeover target, as the traditional media industry looks to consolidate with the hopes of extracting value.

Takeover target or not, Corus looks to have bottomed, with shares trading at 0.8 times book and 3.66 times cash flow. Management has the financial wiggle room it needs to pursue efforts to minimize the bleeding, and as it slows, I see substantial upside in the name.

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1. Stocks for Beginners
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2. TSX:BB (BlackBerry)
3. TSX:CJR.B (Corus Entertainment Inc.)

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