



## Revealed: 3 Dirt-Cheap Penny Stocks Trading Under \$5 Per Share

### Description

Many investors are fans of penny stocks for one important reason: buying many shares of a cheap company makes them feel like a big deal.

Say you have \$10,000 to invest. That'll get you a mere 100 shares of a stock that trades for \$100. But if you buy a stock that trades for \$1 per share, your initial investment will get you a massive 10,000 shares.

Another reason why many like penny stocks is, these companies are often beaten-up value investments, stocks with [massive potential upside](#) if a few things go right. We're talking return potential of 200-300% here. Many investors will buy these names, hold for a few years, and then repeat the process. It doesn't always work, but the winners can more than make up for the losers.

Let's take a closer look at three stocks with that kind of upside potential — penny stocks that each happen to be trading for under \$5 per share.

### Chorus Aviation

It seems like every airline stock has descended into penny-stock territory. Demand fell off a cliff, as worried travelers decided a weekend getaway wasn't worth potentially catching COVID-19. Governments closing down international borders sure didn't help either.

**Chorus Aviation** ([TSX:CHR](#)) was one of the stocks hit hard by this slowdown. Shares are down well over 50%, falling all the way down to below \$3 each. But I'm confident the company will bounce back.

Remember, Chorus operates regional flights for **Air Canada**. I believe this part of the industry will bounce back first, while it'll take longer for international flights. The other part of Chorus's business — which is leasing planes to regional airlines — should boom after all this is over. After all, an easy way for an airline to keep its balance sheet in tip-top shape is to avoid purchasing a bunch of planes.

Chorus also has plenty of cash and available credit, which means investors don't have to worry about

the company going bankrupt unless this pandemic stretches out much longer than expected. In fact, the company could even reinstate its dividend relatively soon. It all depends on how quickly the overall travel market rebounds.

## Chemtrade Logistics

**Chemtrade Logistics** ([TSX:CHE.UN](#)) recently made headlines when it was one of the first companies to [slash its dividends](#) amid the COVID-19 panic. Many investors sold the stock and moved on to something with a safer payout.

But I think that may have been a mistake. Chemtrade shares are ridiculously cheap compared to the company's normalized earnings. It likely won't return to normal until 2021, but I think a big prize awaits investors who can be patient.

As I type this, Chemtrade is just barely one of Canada's penny stocks, trading for just under \$5 per share. In 2019, the company earned \$0.74 per share in distributable cash flow. That puts shares at just seven times that metric today — an excellent valuation. And Chemtrade pays a \$0.60-per-share annual dividend, which means investors can lock in a 12% yield today.

It all depends on Chemtrade recovering quickly, but I think it will happen. The company's three main product lines serve oil refineries, water treatment plants, and the paper industry. These are all pretty important.

## Husky Energy

**Husky Energy** (TSX:HSE) is one company that needs a little bit of good news. Despite owning solid oil sands assets, offshore assets in both Canada and Asia, and some interesting downstream assets, the shares are firmly in penny-stock territory, trading for approximately \$4 each. Remember, Husky was a \$30 stock a decade ago.

The company has responded to the latest shock to the energy market by delaying much of its planned 2020 capital spending. It also arranged to borrow an additional \$500 million, increasing its liquidity to the \$5 billion range. That should easily be enough to ensure Husky survives to fight another day.

Husky could also sell its fleet of retail gas stations, which are well-positioned assets in Canada's western provinces. There are more than 500 locations, with many featuring restaurants and other amenities.

## The bottom line on these penny stocks

There's little doubt dirt-cheap penny stocks like Chorus, Chemtrade, and Husky are all risky investments. But they also represent nice potential returns. Perhaps they belong in the more speculative side of your portfolio.

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1. TSX:AC (Air Canada)
2. TSX:CHE.UN (Chemtrade Logistics Income Fund)
3. TSX:CHR (Chorus Aviation Inc.)

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