



3 Top Stocks Under \$5 That Could Surge 100% or More

Description

Stocks trading at lower dollar amounts, so-called “penny stocks,” usually represent small companies that are flying under the radar. As most investors overlook these smaller stocks, they tend to trade for lower valuations. Meanwhile, their smaller size leaves plenty of room for growth when they start gaining market share in their industries.

With that in mind, here are the [top three penny stocks](#) I believe could double or more this year.

Royalty penny stock

Diversified Royalty Corp. ([TSX:DIV](#)) currently trades at just \$1.57. The stock has lost more than half its value since February. Clearly, its underlying businesses are at the epicentre of the ongoing crisis.

Diversified collects royalties on brands that most Canadians are probably familiar with: Sutton, Oxford Learning, Mr. Lube and Mr. Mikes among others. Entrepreneurs across the country pay to use these brands under a franchise model that has been incredibly lucrative for the parent company.

Diversified offered a sizable dividend yield and the penny stock appreciated 65% between 2016 and 2019. However, the ongoing crisis has put all its franchisees in peril, which means it may have to cut dividends in the near future.

However, I believe the government's stimulus measures put a floor on small businesses in Diversified's portfolio. The underlying brands should lose much value and the business could bounce back rapidly when the economy reopens (which is already underway). A swift recovery in operations could propel this stock in the second half of 2020.

Healthcare penny stock

Vancouver-based **WELL Health Technologies** is probably in the most exciting sector of the economy: healthcare technology.

WELL's team is trying to revolutionize the way healthcare providers serve patients. Over the years the company has built a data-driven platform and also owns and operates a network of 20 clinics. This year, the firm teamed up with a telehealth provider to launch VirtualClinic+. The virtual clinic connects patients with doctors over text or video conferencing.

Healthcare is a trillion-dollar industry that often lacks innovation. Now, as people remain confined to their homes, innovation in healthcare is a necessity, which is why I believe WELL Health could be a penny stock that doubles in 2020. In fact, the stock has already doubled since March. The penny stock is now worth \$3.

Air purification penny stock

There's no doubt that the transition to clean energy is a trillion-dollar opportunity. **Xebec Adsorption Inc** seems to have cornered an interesting niche in this burgeoning sector.

The firm develops equipment that purifies natural gas and biogas for commercial use. In other words, it extracts impurities to create pure green gas that can displace fossil fuels.

The stock is worth \$3.2 at the moment — that's 100% higher than late 2019. Past five-year returns are an astounding 4,000%. There could be plenty of upside left if the firm continues to attract more clients and capture market share.

The company reported \$2 million in net income on \$50 million in revenue last year. On that basis, the stock is trading at five times trailing revenue and 140 times net earnings. If earnings double in 2020, that valuation may be justified.

CATEGORY

1. Investing

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1. TSX:DIV (Diversified Royalty Corp.)

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