



Millennials: 2 High-Upside Stocks Worth the Risk

Description

Millennials and other young investors should proactively look to take on more risks to have a shot at greater potential rewards, at least with a portion of their portfolios. Youngsters have the time horizon to wait for soured investments to recover and the ability to re-earn any losses that prove to be unrecoverable from the labour force.

While it may seem reckless to take on more risk (and volatility) than that of your Baby Boomer parents after the coronavirus crisis, one of the worst socioeconomic shocks in history, I'd argue that it's far riskier to play it too safe given the high opportunity cost of sticking with low-risk, low-return securities that probably won't grow your wealth at a quick enough rate to finance a comfortable retirement when you're ready to hang up the skates.

Don't bet the farm on dangerously ["at-risk" stocks](#), but do allocate a portion in some of those high-risk/high-reward plays if your investment horizon spans not just years, but decades.

Without further ado, consider the following two deep-value (cigar-butt) plays that millennials should consider betting on today.

Corus Entertainment: An old-school media bet for risk-taking millennials

Corus Entertainment ([TSX:CJR.B](#)) found itself on the wrong side of a profound secular trend known as "cord cutting." Video streamers are dominating traditional TV, and Corus, which generates around 90% of revenues from old-school TV, has been a falling knife that's yet to ricochet off a bottom sustainably.

For over five years, Corus has been one of the TSX's biggest dogs. At the time of writing, shares of CJR.B down over 85% from all-time highs, and although it seems as though the company looks to be on its way out, I'd encourage cigar-butt-investing millennials to dig deeper into the financials to see what they're getting for the rock-bottom multiple that they'll stand to pay today.

Corus's stock chart suggests that the company is doomed, but the healthy balance sheet and ample free cash flows (\$300 million TTM) suggest otherwise. There is a lofty amount of long-term debt. Still, Corus is in a good spot to continue trimming away at it, as FCFs are expected to remain north of \$200 million, even with the coronavirus-induced recession factored in.

For a stock that trades at 0.5 times book and 2.2 times EV/EBITDA, that's some impressive FCF generation. With potential catalysts on the horizon, I'd urge millennial investors to take a chance on the deep-value bargain that could be subject to a significant upside correction over the next few years.

Ensign Energy Services: One of the cheapest stocks on the TSX

For fearless millennials who are no stranger to volatility, **Ensign Energy Services** ([TSX:ESI](#)) may be a deep-value bet that could provide substantial upside in a "bull case scenario."

In [prior pieces](#), I highlighted the heavily out-of-favour stock as a "cigar-butt" that Warren Buffett may have been inclined to pick up in his earlier years when he went on the hunt for deeply discounted businesses that weren't all that wonderful.

The under-the-radar oil driller trades at a valuation that's so cheap that you'd assume that bankruptcy would be inevitable. Shares trade at 0.08 times book and 0.07 times sales, which is close to the cheapest stock based on traditional valuation metrics that you'll find out there. While the stock could undoubtedly become cheaper (ESI was trading at 0.06 times book when I first recommended it last month), I'd argue that the multi-bagger upside potential is well worth the risk of further losses from here given all the pessimism in the North American oil patch.

Ensign has a very solid 1.3 quick ratio, which is a far better liquidity position than most of the "blue-chip" behemoths out there. So, bankruptcy looks to be off the table, even though the damage done to the stock suggests the stock is destined for \$0.

CATEGORY

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TICKERS GLOBAL

1. TSX:CJR.B (Corus Entertainment Inc.)
2. TSX:ESI (Ensign Energy Services Inc.)

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Date

2025/08/16

Date Created

2020/06/05

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