



This Stock Could Turn \$1,000 Into \$10,000

Description

A stock that delivers a 1,000% gain is remarkably rare. In 2022, the search for a multi-bagger is tougher than ever. Growth stocks are severely beaten down, and investors seem to have lost their appetite for risk. Most investors are seeking cover in oil, fertilizer and healthcare stocks. However, I believe a contrarian approach works best for investors with a longer time horizon.

Put simply, if you have some cash and a little patience, you could bet on tech stocks that are being shunned by the rest of the market. Here's one example of an undervalued tech stock that could have multi-bagger potential in the years ahead.

Potential 10-bagger

Hive Blockchain (TSX:HIVE)(NASDAQ:HVBV) is one of the stocks I believe could deliver multi-bagger returns in the years ahead. HIVE stock had a legendary run over the past two years, as the digital assets sector was booming. The stock skyrocketed from \$0.10 to \$6.8 between 2020 and 2021. Investors who hopped in early are still sitting on handsome profits, as the stock hovers around \$2.3.

Hive's steep decline isn't surprising. The hype about digital currencies and non-fungible tokens has rapidly deflated in recent months. **Bitcoin** ([CRYPTO:BTC](#)) has lost 37.7% of its value since late November. **Ethereum** ([CRYPTO:ETH](#)) has lost 34.4% over the same period. HIVE actively mines and stores both cryptocurrencies, which is why the company has lost market value, too.

Other factors have been adding pressure to HIVE's market value. Bitcoin mining has become immensely competitive, and HIVE's rivals across North America are much better funded. Meanwhile, the Ethereum network is expected to transition to a proof-of-stake protocol that renders mining obsolete later this year.

When you couple these factors with the fact that HIVE stock was arguably overpriced in 2021, you can see why the stock has lost roughly 66% of its value. However, the selloff may have created an opportunity.

HIVE stock valuation

[HIVE stock](#) has lost 66% of its value, but the underlying assets and business have expanded by triple digits. The company reported US\$64.25 million in net income in the most recent quarter. That was 273% higher than the previous year. Converted to Canadian dollars and annualized, the company could be on track to generate over \$300 million in net income in the year ahead.

However, HIVE's market value is just \$950 million. In other words, the stock trades at a price-to-earnings (P/E) ratio of 3.16. Even if earnings decline by *half*, HIVE would be undervalued. The stock would be worth 10 times more if the P/E ratio normalizes.

HIVE is also one of the largest holders of Bitcoin. The company has BTC worth US\$169.4 million, or CA\$212 million, on its books. That represents a fifth of market value. This could be another indication that the stock's selloff has gone too far.

Bottom line

HIVE stock is undervalued and could turn \$1,000 into \$10,000 if cryptocurrencies have another bull run or the P/E ratio normalizes.

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