



These 2 Stocks Have a Lot of Risk, But Their Upside Could Be Huge

Description

As is typical when uncertainty picks up and stock markets sell off meaningfully, higher-risk stocks tend to be some of the most significant underperformers.

This isn't exactly surprising. It makes sense that investors are more willing to hold onto their reliable stocks and sell off the risky companies they own.

However, because these stocks are some of the biggest underperformers, they also offer some of the best opportunities for investors. So, savvy investors have the chance to look for inefficiencies in the market today and buy stocks that offer the best value.

Therefore, if you're a [long-term investor](#) looking to buy higher-risk stocks and hold them until the market can recover, here are two of the best opportunities to consider today.

One of the best tech stocks to buy, despite some risks

One of the best stocks long-term investors can buy today and hold for years is **WELL Health Technologies** ([TSX:WELL](#)).

WELL is a small-cap healthcare tech stock that saw a massive boost from the pandemic and has mainly grown its business by acquisition over the last few years. So, there are several reasons it could be considered a high-risk stock today.

First off, tech stocks in general have been major underperformers this year. However, in addition, WELL is a small-cap tech stock that's not yet profitable.

So, in this environment, as uncertainty has picked up, and investors are prioritizing stocks with resilient operations and strong profitability, it's not surprising that over the last 12 months, WELL stock has lost over 55% of its value.

The good news for investors is that after such a significant selloff, and because its valuation has

contracted so much, a lot of the risk in WELL stock has now been priced in.

At roughly \$3 a share, WELL is trading at the bottom of its 52-week range. Furthermore, it continues to outperform analyst expectations, and its expected revenue, as well as earnings before interest, taxes, depreciation and amortization ([EBITDA](#)) for this year, continue to increase.

With a forward enterprise value (EV) to sales ratio of just 1.85 times, this is easily the cheapest WELL has been since being upgraded to the TSX in January 2020, even before the pandemic. It's also significantly lower than its average forward EV to sales that it's traded at over the three-and-a-half years it's been on the TSX, which is 6.4 times.

Therefore, it's no surprise that the average analyst target price for WELL is \$8.73, a more than 185% premium from today's trading price. So, although the stock may have some risk, its upside, especially over the long haul, could be massive.

A beaten-down dividend stock offering a more than 10% yield

WELL is an ideal high-risk stock for growth investors. However, if you're more of a dividend investor and looking for a high-risk stock that offers a tonne of potential, I'd recommend **Corus Entertainment** ([TSX:CJR.B](#)).

Corus Entertainment is a media company that owns TV and radio assets, streaming services and a content-creation segment. Most of its revenue comes from TV, particularly the commercials you see while watching.

Therefore, when Corus warned that its advertising revenues were taking a hit due to the market conditions in September, many investors quickly bailed from the stock.

Corus was already a higher-risk stock that was in turnaround mode. Just a few years ago, it had to trim its dividend significantly and focus on paying down its massive debt load. So, now, as shares have been selling off and its dividend yield is rising rapidly, it could be a major red flag that the dividend needs to be trimmed again.

However, in the last few years, Corus has paid down tonnes of debt with its free cash flow and continues to do so. Furthermore, advertising sales would have to fall massively for the dividend to be at risk of being cut.

In fact, analysts hardly expect an impact on sales this year or next and predict just a 12% drop in EBITDA this year followed by a 6% fall next year.

Therefore, while Corus trades at a forward price-to-earnings ratio of just 4.5 times and offers a dividend yield of 10%, it's a high-risk stock that certainly offers significant upside.

CATEGORY

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2. TSX:WELL (WELL Health Technologies Corp.)

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Date

2025/08/17

Date Created

2022/10/08

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