



These 3 Stocks Have a Lot of Risk, But Their Upside Could Be Huge

Description

Stocks that offer high risk sometimes also offer high reward. In fact, that's what makes them worth considering in the first place. If a stock's reward/return potential is not enough to justify taking on the risk it poses, then it doesn't make sense as an investment choice.

However, certain [Canadian stocks](#) have a lot of risks, but the upside potential is also proportionally strong. And three such stocks stand out from the crowd.

Air Canada

Air Canada ([TSX:AC](#)), the premier airline of Canada, is one of the most beaten-down airline stocks, not just in the country but in North America. The airline stocks in the U.S. are still a long way down from the pre-pandemic peak, but none of the four major airline stocks have fallen as low as Air Canada, which is currently trading at a 61% discount from the pre-pandemic value.

The airline saw a ray of hope in the form of the cargo business, but it has been hurting for a while as well, mostly due to relatively low e-commerce activity.

Air Canada's risk comes primarily from its rapid cash burn, and the fact that it may still take the airline multiple quarters to become profitable again. But there is hope. The airline stock is being reviewed positively by investment firms.

Demand in the following travel season is expected to push the company's financials to a healthy level, and the stock might follow. And at its current price, Air Canada can double your capital by reaching \$40 a share, which is lower than its pre-pandemic peak.

Ballard Power Systems

Ballard Power Systems ([TSX:BLDP](#)), with its promising PEM fuel cell technology, may have a lot of growth potential if hydrogen is widely adapted as a fuel source instead of or in conjunction with pure

EVs. And it can also be adapted for other solutions, including industrial power generation (modest power loads).

However, the stock also carries a relatively high risk. Some of it is evident from its beta of 1.75 and two consecutive quarters of diminishing revenues and loss. But there is another, more organic risk. There are significant challenges associated with hydrogen's commonplace adaption.

If they persist long enough for other technologies to take over the market share that Ballard can potentially capture, it will deal a significant blow to the company's prospects.

However, the risk comes with a strong upside. When the stock has proper momentum, it can offer substantial returns in a single year (like its 150% returns in 2019). A couple of years like this, and your capital can grow three-fold.

Galaxy Digital Holdings

The prospects of the crypto market as a whole seem quite dark right now, and a lot of confidence has eroded from the market. But the fact that **Bitcoin** is still holding relatively steady near the US\$20,000 mark gives hope to investors contemplating crypto stocks like **Galaxy Digital Holdings** ([TSX:GLXY](#)). But the risk it carries by default, thanks to its association with crypto, has only increased now.

The stock is trading at a massive 83% discount from its 2021 peak, and it's also relatively undervalued right now. Even if it doesn't reach the peak again, a strong recovery can quickly push its value past 100% in months, especially if the [tech stocks](#) and crypto start to recover simultaneously. This, ironically, makes its risk-to-reward balance slightly better than the other two.

Foolish takeaway

Investing in the three stocks now and waiting for a healthy market to shoot them upwards (or the sector to start recovering) may add a lot of risk to your portfolio, but that's a difficult choice you will have to make to leverage the explosive growth/recovery potential that these stocks offer.

CATEGORY

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2. TSX:BLDP (Ballard Power Systems Inc.)
3. TSX:GLXY (Galaxy Digital)

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Date

2025/09/02

Date Created

2022/11/04

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