



These 2 Stocks Carry a Lot of Risk, But Their Upside is Huge

Description

With great returns come great risks, so invest with caution. The stock market has been pretty uncertain since the pandemic. Uncertainty breeds opportunities for certain hyper-growth stocks that can disrupt the market. Do you remember the **BlackBerry–Apple** story? The year was 2007, and BlackBerry was an unbeatable market leader in the mobile phone arena. But Apple's iPhone disrupted the market with its touchscreen technology. Surprisingly, that was also the year the world witnessed the Global Financial Crisis.

The risk of investing in a stock with huge upside

Can history repeat itself? That no one can tell, and it is where the risk comes in. If you knew the future, there would be no such thing as hypergrowth. The huge upside is the premium you get for taking the risk and being an early investor in disruptive technology. But there is a downside of losing your invested amount if the technology fails to meet expectations.

Hive stock

Believe it or not, **Hive Blockchain Technologies** ([TSXV:HIVE](#)) stock has surged more than 110% year to date. Yes, it is the [crypto](#) mining company whose stock fell 90% between November 2021 and December 2022 in the tech stock sell-off and crypto bubble burst. The combination of the two crises pushed the crypto exchange [FTX](#) into bankruptcy.

But Hive survived because it does not just provide exposure to crypto prices but also to operating margins of digital currency mining. When the Ethereum merge happened (moving from compute-intensive proof-of-work to compute-efficient proof-of-stake transaction processing protocols), Hive's cash flows fell from Ethereum mining. However, it diverted the computing power to mine Bitcoin, thereby increasing the Bitcoin mining hash rate by 700% with no extra capital expenditure. This helped Hive double its Bitcoin HODLing on the balance sheet.

Hive's main objective is to use every opportunity to generate the highest cash flow return on invested

capital. Hence, it is looking to use its physical assets like data centres to pursue new graphics processing unit (GPU)-based cloud initiatives. This diversification will help Hive sustain operations through the worst of the crisis while allowing it to ride the crypto and GPU computing wave.

The right price to buy Hive stock at is when it is trading below \$5, as its cyclical peaks can vary from \$9 to \$26, or even more. The risk is losing the amount you invested. But if you buy the stock near its dip, the downside risk is low. While Hive stock has already jumped over 110% in January, it is trading below \$5. The stock could halve on an interest rate hike or a looming recession. But HOLDing could grow your money multifold. Like a lottery ticket, invest only the amount you are willing to lose.

Ballard Power Systems

The next stock with disruptive technology potential is green hydrogen fuel cell maker **Ballard Power Systems** ([TSX:BLDP](#)). Its proton exchange membrane (PEM) fuel cells can compress and store high-density hydrogen and use it to fuel heavy vehicles like buses, trains, and marine vessels.

The company has immense potential to disrupt gasoline as a fuel for heavy vehicles. That could grow the stock by leaps and bounds. But the inherent risk is the economic feasibility of green hydrogen. The process of extracting hydrogen and capturing it for use as a fuel is expensive.

Ballard Power Systems is advancing on the hydrogen growth curve by investing in new technology, product cost reductions, and product innovation and development. It is spending on sales and marketing, too. The leading fuel cell maker has an order book of \$51 million and order backlog of \$101.7 million as of September 30, 2022. But these orders are vulnerable to cancellation given the early stage of some clean technology development.

How to invest in risky stocks?

The above two stocks are high-risk stocks and trade in single digits. For such stocks, you can allocate 3–8% of your portfolio depending on how much you are willing to lose. You can hedge this risk by investing a major chunk of your portfolio in some of the [best Canadian stocks](#).

CATEGORY

1. Cryptocurrency
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:HIVE (Hive Digital Technologies)
2. TSX:BLDP (Ballard Power Systems Inc.)
3. TSXV:HIVE (Hive Blockchain Technologies)

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