2 High-Risk, High-Reward Stocks That Could Earn Massive Returns in 2023

Description

One of the most popular phrases when it comes to investing is “no risk; no reward.” Any time you put your money to work, whether it’s lending money or investing in companies, there is some risk to your investment.

And often, due to an efficient market process, investments with higher risks will become cheaper, therefore offering more of a potential reward.

This is important to know. You can look to buy cheap stocks that are heavily undervalued, but it’s important to understand that these stocks have more risks, whether it’s due to their underlying businesses, the market environment, or a combination of both.

Therefore, when you find stocks that are cheaper than they should be and are being undervalued by the market, you have the opportunity to earn significant returns.

So, if you’re an investor with a long timeline and higher risk tolerance, here are two of the best high-risk, high-reward stocks to consider adding to your portfolio while they’re still ultra-cheap.

One of the cheapest stocks on the TSX

Although **Cineplex** (TSX:CGX) was impacted significantly by the pandemic, there aren’t many investors who would have expected the stock to still be this cheap by 2023.

Prior to the pandemic, Cineplex was trading at just under $34 a share, so the fact that it trades below $9 today illustrates just how cheap the stock is.

One of the reasons there is more risk with owning Cineplex stock is that it relies on Hollywood and the film industry for content. Pandemic restrictions were dropped months ago, but because there were so many delays with filmmaking during the pandemic, a lack of high-quality content and blockbuster films in 2022 resulted in poor attendance numbers for Cineplex.

That's expected to change in 2023, but until Cineplex can show clear and consistent signs of a strong recovery, the stock can certainly be considered higher risk.

It's worth noting, though, that already in January 2023, box office numbers were 88% of 2019 levels compared to all of 2022, which saw box office numbers at just 65% of pre-pandemic levels. January is now the best month Cineplex has had since the pandemic began.

It's also worth noting that box office and concession per patron metrics both reached quarterly records of $13.06 and $8.93, respectively, in the fourth quarter.

Therefore, while this high-potential stock still trades ultra-cheap, it's one of the best high-risk, high-reward stocks to consider today.

A top media stock offering a dividend yield above 11%

Another ultra-cheap stock that investors may want to consider today is **Corus Entertainment** (TSX:CJR.B), a media company with an unbelievable dividend yield of more than 11.1%.

Corus is a stock that predominantly owns and operates TV channels and streaming services. Therefore, the majority of the revenue that it earns comes from advertisements on TV.

However, with the economy weakening through 2022 and many expecting a recession at some point in 2023, advertising revenue has dropped significantly for Corus but also for advertising competitors such as social media companies.

So, the most significant worry from investors is that the drop in revenue could impact cash flow significantly and therefore impact Corus's ability to continue paying down debt while simultaneously funding the dividend.

These concerns have led Corus stock to fall in price substantially, down 58% in the last 12 months, and caused the dividend yield to climb above 11%.

It's worth noting, though, that although many analysts have downgraded Corus in recent months due to the impact it's seeing in advertising revenue, the stock's average analyst target price is still more than 40% higher than where it trades today.

Furthermore, analysts still expect Corus to earn over $160 million in free cash flow in fiscal 2023 and another $200 million in free cash flow in 2024. Therefore, considering it costs less than $50 million to fund the dividend for an entire year, Corus may not even need to cut the dividend at all.

Nevertheless, due to the uncertain economic environment, Corus is certainly a stock that can be considered high risk and high reward. But if you're an investor with a higher risk tolerance and are willing to buy Corus and hold for the long haul, there is significant potential to see major returns on your investment.

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