The 3 Best Stocks on TSX Venture Exchange

Description

If you think 2018 was a bad year for the **S&P/TSX Composite Index**, which had a total return of -8.9%, the 37% loss by the **TSX Venture Exchange**, ought to make you shudder.

Full of energy stocks and mining companies, it's hard for investors to get enthusiastic about investing in the junior exchange. However, like most things in life, there are always exceptions.

Mere days from closing out the first month of 2019, here are three stocks that I believe will do well in the year ahead and beyond.

StorageVault Canada (TSXV:SVI)

Given that the operator of self-storage facilities is a sub-three-dollar stock, 2018 proved to be a relatively peaceful year regarding volatility. Over the past 52 weeks, SVI has traded between a high of $2.89 and a low of $2.26, a spread of just 63 cents.

By comparison, **Patriot One Technologies**, a security startup that's developing a radar system for detecting concealed weapons, has a 52-week spread between its high ($3.01) and low ($1.23) of $1.78, almost three times that of StorageVault.

In mid-November, StorageVault reported Q3 2018 results that were above analyst expectations. Revenues grew 39% to $25.7 million, while its loss declined by 58% to $6.4 million.

However, what's truly impressive is the company's 58% increase in adjusted funds from operations through the nine months ended September 30, 2018. While it has a ways to go to generate IFRS profitability, it's producing significant cash from its operating business.

When you consider that Canadian storage facilities amount to 2.5 square feet per capita, less than one-third what they are in the U.S. Furthermore, the top 10 operators in Canada have less than 15% market share, leaving consolidators like StorageVault with lots of runway for growth.

Remember: StorageVault is a real estate company dressed up as a self-storage business.

Over the long haul, cash flow will rise, real estate values will rise, and SVI stock will rise.

Westaim (TSXV:WED)

The second largest of this trio of stocks by market cap, Westaim is an investment company with two principal investments: the first is Houston International Insurance Group, a U.S.-based provider of specialty insurance; the second is Arena Group, a U.S. investment manager that buys asset-oriented credit investments, to hold for future profit.

Run by CEO Cameron MacDonald, a CFA who previously ran Goodwood Inc. for 12 years, a Toronto investment manager, the company's book value per share was $3.10 at the end of September, 10% higher than a year earlier. Over the past five years, Westaim's book value per share's grown by 31% or 5.5% on an annual basis.

Over the same five years, the company has generated an annualized total return of just 4.5%, suggesting regression to the mean could deliver stronger gains in 2019 and beyond.

Westaim isn't very exciting, but you likely won't lose that much on a small bet.

Questor Technology (TSXV:QST)

Founded in Calgary in 1994, Questor is a clean tech company that sells and rents incinerators to industrial companies, who take greenhouse gas emissions and turn them into power, saving them money and environmental concerns.

In the first nine months of 2018, Questor's revenues were $17.5 million with net income of $5.6 million. It has no debt and $7.5 million in cash in the bank; it trades at just 11 times cash flow despite considerable gains in both 2017 and 2018.

2018 was a record year for the company thanks to its operations in both Colorado and North Dakota, where oil and gas companies are using its incinerators to manage their waste gases.

Investors can expect another record year in 2019.

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1. TSX:SVI (StorageVault Canada Inc.)
2. TSXV:QST (Questor Technology Inc.)
3. TSXV:WED (The Westaim Corporation)

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