3 Start-Up Stocks You Should Add to Your TFSA

Description

Start-up investing is anything but easy. The vast majority of new companies run out of cash long before they ever turn a profit. The precious few who survive need to deliver extraordinary returns to compensate venture capitalists for the numerous duds in their portfolio.

Despite the risks, however, savvy investors should consider allocating a small portion of their portfolio to young and innovative companies that could potentially deliver some serious out-performance. Fortunately, startup investing in Canada is streamlined through the Toronto Venture Exchange.

Here are three stocks listed on this exchange that deserve closer attention from experienced investors:

StorageVault Canada Inc. (TSXV:SVI)

I previously called investing in self-storage the most boring way to get rich. However, great investing is often boring and Ontario-based **StorageVault Canada Inc.** (TSXV:SVI) is a prime example. It operates over 160 different storage locations across the country and is rapidly consolidating its position in this niche.

Expanding demand for storing goods away from home, the rising cost of housing, and the fragmented nature of this market all converge to place this company in a good position for steady growth. StorageVault has a solid balance sheet with $2.7 in debt for every $1 in equity and double-digit growth in operating cash flows every year.

At its current market price, SVI is a reasonable bet on hyper growth.

Patriot One Technologies Inc. (TSXV:PAT)

The use of artificial intelligence (AI) to bolster security makes this start-up a rare example of a company that is solving a critical problem while creating a competitive moat. **Patriot One Technologies Inc.** (TSXV:PAT) is rapidly accumulating security data from its network of smart sensors to mitigate the risk of gun crime in public spaces.

2018 was a record year for firearm homicides in Toronto, and the threat seems to be growing this year as well. With public safety in mind, policymakers and business owners could soon turn to surveillance technologies like the systems Patriot One offers.

The company's devices are already available through a wide network of re-sellers spread across 12 countries. The team has a partnership with defense giant Raytheon Canada Limited (RCL), a subsidiary of the **Raytheon Company**, and nearly $65.7 million in cash to drive growth even higher, all of which could translate to a windfall for early investors.

Drone Delivery Canada (TSXV:FLT)

Ontario-based **Drone Delivery Canada** (TSXV:FLT) targets a market that could be worth $100 billion by 202o: package deliveries via unmanned aerial vehicles (UAVs). Over the past few years, DDC has been expanding its fleet of drones, upgraded their payload capacity and has signed an agreement with the Moose Cree First Nation for deliveries to remote locations.

Further down the line, the team hopes to manage an extensive last-mile delivery network for medical supplies, vehicle spare parts, and groceries across Canada.

The lack of revenue and clear regulations in this space make FLT the riskiest stock on this list, and the lack of a clear competitive moat weakens the investment thesis further. However, it's also the only pure-play drone delivery stock in Canada at the moment, which makes it an ideal addition to any tech-savvy, growth-hungry, risk-taking investor's portfolio.

Bottom line

Betting on start-ups is tricky, but the ones on this list are either far ahead of the competition or have proven business models in rapidly expanding industries. Growth-oriented investors should definitely take a closer look.

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2. Tech Stocks

TICKERS GLOBAL

1. TSX:SVI (StorageVault Canada Inc.)

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vraisinghani