TFSA Investors: 2 Dirt-Cheap Growth Stocks That Could Soar High in 2020

Description

Although stocks as a whole seem expensive now that the market is flirting with new all-time highs, there are still plenty of bargains scattered across the TSX. And for those stock pickers willing to go against the grain, excess risk-adjusted returns could be in store for the new year.

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Here are two severely undervalued growth stocks that you may want to consider stashing in your TFSA if you're willing to endure some short-term pain for a shot at some longer-term gain.

BlackBerry

BlackBerry (TSX:BB)(NYSE:BB) got popped this year. With shares now at multi-year lows, many patient investors now have nothing to show for their investment and are probably wondering if CEO John Chen's turnaround strategy has ultimately failed.

Chen has been at the helm for over five years now, yet the stock has treaded water the entire time. Visibility into the future of the firm remains clouded, as it looks to make a bigger splash into the ultra-competitive enterprise software space.

Although the last quarter was seen as abysmal through the eyes of investors with "softer-than-expected" enterprise software (ESS) numbers, I don't believe that BlackBerry is falling to the competition, nor do I think ESS numbers are on a sustained downward trend.

With shares trading at $6 and change, now is not the time to give up on BlackBerry. The company owns some prime assets (including QNX), and the ESS business could easily re-accelerate in subsequent quarters.

Indeed, there are a tonne of moving parts at BlackBerry after recent acquisitions, new product intros, and the like. While it could take years before BlackBerry can really pick up on the ESS front, I think the depressed price of admission is worthwhile for those with enough patience.

The stock trades at 1.1 times book and 3.3 times sales — a low price to pay for a firm that's slated to benefit from several technological tailwinds.

Spin Master

Spin Master (TSX:TOY) is another Canadian growth darling that's been hard to hold over the past year and a half. The bankruptcy of U.S.-based Toys "R" Us locations knocked Spin stock off the podium, and escalating tensions between the U.S. and China acted as salt in the wounds of the company.

Indeed, the company has a lot to lose if the U.S. slaps hefty tariffs on toys and games coming out of China. Although the U.S. and China are making progress, with a phase-one deal that's to be inked, it doesn't seem as though investors at Spin are willing to pick up the name as the economy continues to grind to a slowdown.

With Toys "R" Us poised to return from the dead, Spin stock has still yet to recover any of the ground lost over the past year. At the time of writing, Spin stock is down about 40% from its high and is now trading at 14.8 times next year's expected earnings and 1.7 times sales, which is absurdly cheap given the high double-digit annualized growth that the company has posted in recent years.

As the holiday season rolls around, I have a feeling that Spin could surprise us all with a blowout quarter that could send the stock up as much as 20% in a day. With minimal debt, Spin can also acquire its way to growth as the broader toy industry continues to exhibit signs of weakness.

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