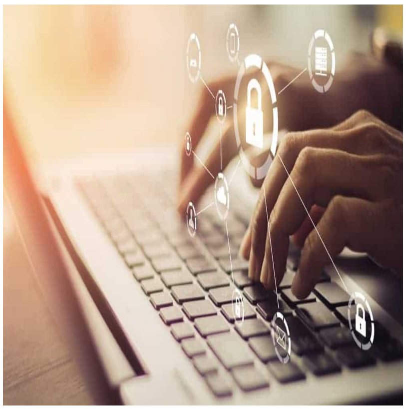

2 Canadian Growth Stocks Primed to Explode in 2020

Description

Growth stocks are the best way to add huge upside to your portfolio. Luckily, Canada is home to some of the most promising growth stocks on the planet.

Be careful, however: it's critical to choose the right companies. If you get it right, these stocks can double or triple in value. Get it wrong and your upside potential could vanish before your eyes.

After sifting through hundreds of candidates, here are the best Canadian growth stocks to bet on for 2020.

Think different

It's taken years, but **BlackBerry Ltd**. (TSX:BB)(NYSE:BB) has completely reinvented itself. Formerly one of the largest smartphone manufacturers in the world, the company no longer even makes phones. Instead, it's all-in on software.

The benefits of switching to software are clear. With hardware, you need to constantly create the next best thing. Think of how **Apple Inc.** needs to make every iPhone model the best ever. Few companies apart from Apple can do this for years on end. Plus, hardware is a physical good, meaning costs are high.

Software on the other hand is sticky if you get it right. Think of your current operating system, browser, or word processor. You may have used the same product for years.

Once you integrate yourself with a certain software, you're unlikely to go anywhere else due to switching costs. This is even more true for businesses. Plus, once the software is deployed, it costs very little to maintain and improve it, even though the customer often continues to pay.

Toward the tail end of 2019, BlackBerry's revenue stream was finally dominated by software revenue. The company makes products targeting high-growth verticals such as autonomous vehicles, big data analytics, and the Internet of Things.

The market is still pricing this as a hardware company, but in 2020, expect valuation multiples to trend toward its software-based peers. If traction hits, this stock could be an easy double.

Reversing expectations

Maxar Technologies Ltd. (TSX:MAXR)(NYSE:MAXR) is a terrible company — at least some short sellers think so. Last year, Spruce Point Capital Management bet against the company, claiming that its financial controls were unexpectedly weak because, according to management, poor accounting practices overstated financial results. In response, the stock fell 80%.

All is not lost, however. A few months ago, **JPMorgan Chase & Co.** called shares a "buy." The stock doubled following the call.

Today, the company is stuck between a rock and a hard place. As a space company that makes satellites and other highly specialized equipment, it likely faces strong end-user demand, which could grow exponentially over the next decade and beyond.

JPMorgan believes that this growth outweighs the potential accounting risk, but Spruce Point Capital seems to be standing pat.

How much is Maxar worth? It depends on whose side you take: company executives or short sellers. Before the debacle, shares were trading above $60, representing more than 300% in upside.

When fear was rampant earlier this year, however, shares slumped as low as $5, two-thirds lower than today's trading range.

This really is the definition of a high-risk, high-reward stock. In 2020, we'll know the truth.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. NYSE:MAXR (Maxar Technologies)
3. TSX:BB (BlackBerry)

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1. Business Insider
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Date
2025/07/20
Date Created
2019/12/06
Author
rvanzo