2 Canadian Growth Stocks for the High-Risk Investor

Description

When it comes to long-term investing, growth stocks have massive upside potential. Imagine investing in **Apple, Amazon** or **Netflix** 10 years back. You would have seen an exponential rise in investments.

But with high returns comes high risk. Growth stocks tend to trade a premium and can correct significantly in a sell-off. This might also present an opportunity for contrarian investors to buy more shares at a lower price.

Here we look at two such stocks that can generate massive returns and should be on the radar of investors with large risk appetites.

Questor Technology

Shares of **Questor Technology** (TSXV:QST) are trading at $5.59 which is just below its 52-week high of $5.68. The stock has gained 13.6% in the last year. Questor is a clean tech company that generates a majority of sales from the United States (over 90%) and the rest from Canada.

Questor is focused on clean air technologies that aim to improve air quality, supports energy efficiency and reduces greenhouse gas emissions.

It designs and manufactures waste gas combustion systems, in addition to power generation systems and water treatment solutions by utilizing waste heat.

Questor helps energy industry companies reduce emissions and the company technology is designed to eliminate carcinogenic compounds as well. Questor not only sells and rents equipment but also services the same, providing an end-to-end solution for energy companies.

Questor sales have risen from $7.08 million in 2016 to $23.5 million in 2018. Analysts tracking the company have forecast sales of $31.7 million in 2019, $36.5 million in 2020 and $41.2 million in 2021.

Comparatively, its earnings are expected to increase by 19.2% in 2019 and 25.8% in 2021.

Questor stock is trading at a forward price to earnings multiple of 14.3 and can be considered undervalued looking at its earnings and revenue expansion. It has a price-to-sales ratio of 5.2 and a price-to-book ratio of 4.4, which are both very reasonable for a growth company.

Investing in renewable energy stocks is considered a relatively safe bet given the need for environmentally friendly solutions. Analysts tracking Questor have a 12-month price target of $6.29 for the stock, 12.5% above the current trading price.

Patriot One

Patriot One Technologies (TSX:PAT) is a small-cap Canadian company that aims to make the world a safe place. How does it do that? Patriot One is commercializing a system to detect concealed weapons by leveraging radar technologies.

For the last several years, Patriot One has poured in millions to launch its cognitive microwave radar technology, providing first responders and other security personnel with valuable time, especially in active threat scenarios.

The technology will be employed in public locations to detect and assess concealed threats. Investors need to bet on the large market opportunity for Patriot One. The company's products can be installed in public areas such as stadiums, concerts, train stations, shopping malls and more.

PAT has developed its product for seven long years and rolled it out just last year. In 2020, analysts expect sales to reach $7.68 million while they have forecast sales of $29.8 million in 2021 and $51.4 million in 2022.

PAT has a market cap of $202.5 million and is valued at 26.4 times 2020 sales, which is expensive, especially for a company with zero sales in 2019.

I had written about the stock last month and shares have gained 10% since then. Investors can expect this stock to be extremely volatile and much will depend on how company management can execute strategic plans in 2020.

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