



Selling Tech Stocks? Buy These 2 High-Growth Names Instead

Description

Getting out of tech stocks? With so much risk in the markets, it makes sense to start taking a few overvalued names off the table. But what if there was a way to replace some of that high-growth potential with names that satisfy a recovery thesis? Let's explore a couple of themes.

First of all, if you're getting out of tech stocks and still want that [same kind of high growth](#) — or even higher growth — you are going to need to start thinking outside the box. One way to do this is to look beyond tech stocks themselves and start considering some overlooked areas.

Selling tech stocks? Think outside the box

I have identified a couple of areas that could take off but which are getting very little air time at the moment. One of them is gas machinery. The other is underwater robotics. Talk about thinking outside the box!

Why could these areas take off? First, let's consider the bull thesis for gas. Natural resources provide the backbone of the Canadian economy. One of the best things that we have going for us as a country is our vast size. But it's not just empty space. Gas reserves are one of our great economic resources. This could help the country turn a W-shaped recovery in a V-shaped one.

How would this work? Gas prices are looking at their own specific recovery. Consider the boosted fuel demand from reopening economies mixed with the coming winter. But snapping up shares in gas producers is nevertheless a risky play. Consider instead a more diversified, less direct-exposure alternative.

Xebec Adsorption (TSXV:XBC) fits the bill here. Investing in gas engineering services and related machinery bring access to growth in the the gas production sector. However, Xebec also lowers exposure to actual production in a stock portfolio. So, instead of buying energy stocks themselves, Xebec investors get a more diversified play in the space with international diversification backing up that growth thesis.

Yes, this name could be cheaper, with a P/B of five times book. That said, though, the name of the game here is growth, not penny pinching. Xebec is expecting an earnings boost of 200% annually. Most significantly, though, total returns are projected to be in the +550% range in the next three years.

Dive deeper for future growth!

How about that other outside-the-box idea? Underwater robotics may sound like an outlandish investment area. But the automation trend is one of the [pandemic-driven growth areas](#) that could survive in a post-pandemic world. The applications for underwater power and sensor systems are vast. Such systems could see high demand in a world characterized by international tensions and the scramble for resources.

Kraken Robotics is thoroughly diversified and supplies an international customer base. With a P/B of seven times earnings, this stock is technically overvalued. However, yearly earnings are estimated to grow by 180%, making for a strong growth thesis. Five-year returns could reward shareholders with share price appreciation in the 250% range. Mix with Xebec Adsorption, and investors have a one-two punch for tech-like growth.

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