



2 Cheap Canadian Stocks to Buy Under \$10 in 2021

Description

While the **TSX Index** may be getting a tad pricy, there are still [cheap](#) Canadian stocks out there that reek of undervaluation. Many of them are worth buying right now, even if you don't have a considerable sum in your Tax-Free Savings Account (TFSA) to invest.

First, let's clear things up. Far too many investors are chasing low-dollar-cost stocks, like those priced under \$10. Some are taking chances on dangerous penny stocks for a shot at quick riches. While you could bag a [multi-bagger](#) over the near term, you could also lose a majority, if not the entirety, of your investment without a moment's notice. Remember, just because a stock has crashed 50% or is at a low dollar amount (under \$20, for instance) does not mean it can't crumble further en route to zero.

Cheap Canadian stocks under \$10: A word of warning

Foolish investors need to recognize that what they're really after is a firm's market cap, not a stock price under \$10. Some terrific small-cap stocks out there have incredible growth stories, yet their stocks may be pretty high. On the flip side, a behemoth large-cap blue-chip may split its stock 5-to-1 and have a low price attached to it. That's why it's all about the market cap, less about the dollar amount of a stock.

Given the recent pick-up in the speculative appetite, investors need to be on alert and not base their investment decisions primarily because of how low a stock's price is. A stock's price is less meaningful than you'd think. Heck, I'd argue that unless you're a beginner investor without much to invest, the dollar amount of a stock is meaningless.

Cheap Canadian stocks under \$10 *and* undervalued

In this piece, I'll assume you're a Canadian investor who has low or no commissions and are looking to put an extra \$200 or so to work in a stock that could help improve your odds of doubling up. I'll also assume that you're looking to grow your wealth over the long term and are not looking to gamble your money in some penny stock play.

Without further ado, consider the following Canadian stocks priced at under \$20 that you may wish to pick up in 2021. I view both names as undervalued and timely. Each stock just happens to have a low dollar amount. But make no mistake, each name is a compelling small-cap for Canadian growth investors that are serious about capital appreciation over the long term.

Fire & Flower Holdings

Fire & Flower Holdings ([TSX:FAF](#)) is a budding cannabis retailer that I believe to be among the best in Canada. The company has a nice digital presence and a great physical presence that draws upon the experiential factor, which is a big deal for many of today's younger consumers.

With numerous pot shops popping up at every street corner, though, it can be tough to spot the winners from the losers. It's a competitive environment, and it's getting even more competitive in the realm of brick-and-mortar. What separates Flower from the pack is its dance partner, convenience retailer Alimentation Couche-Tard. Flower doesn't just have a sizeable investment from Couche; It has a front-row seat to Couche's managers' expertise and a growing symbiosis with its locations adjacent to Circle K c-stores in Alberta.

The Couche-Flower venture seems to be going well, and I think it could be the start of a relationship that'll help define Canada's cannabis retail scene. With shares at 2.7 times sales, I find Fire & Flower stock to be absurdly undervalued, with major catalysts on the horizon.

Goodfood

Goodfood ([TSX:FOOD](#)) has been beaten down badly over the past few weeks. The stock got pummelled, falling from \$14.50 to \$8.50, a devastating drop of over 40%. With sights set on the economic reopening, pandemic plays like Goodfood are out of fashion. Add the souring of growth stocks due to climbing bond yields into the equation, and you have a crashing **TSX** stock.

I believe Mr. Market overswung to the downside in FOOD stock's latest sell-off, leaving ample value to be had for contrarians willing to go against the grain in the meal-kit delivery firm. While some people will likely be pausing their subscriptions, does the cheap Canadian stock deserve to get slashed in half? Probably not.

CATEGORY

1. Cannabis Stocks
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TICKERS GLOBAL

1. TSX:FAF (Fire & Flower)
2. TSX:FOOD (Goodfood Market)

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