3 Undervalued Canadian Stocks to Buy Under $10 Today!

Description

Small-cap stocks can offer Canadian investors significant upside over the long term. Often, because they are less liquid, they can also be more volatile. However, the market often undervalues these stocks compared to larger peers. Despite the smaller size, you can still find very good businesses with strong, long-term fundamentals.

Rather than just trading in and out of these stocks, you need to hold them and be patient. It can often take multiple quarters or even years for the market to recognize a small-cap stock delivering strong results.

Yet, oftentimes, investors are rewarded by a takeover bid or a higher valuation multiple. Do you want to buy small and enjoy the growth process? Here are three top Canadian small-cap stocks trading for $10 per share or less right now.

IBI Group: A technology design leader

IBI Group (TSX:IBG) is a globally integrated architecture, design, and engineering firm. Today, it trades for just around $10 per share. This business is really attractively positioned for a number of reasons. Firstly, global governments are increasing their infrastructure budgets to stimulate their economies. Consequently, IBI is well positioned to see its backlog keep expanding. In the first quarter of 2021 alone, its backlog grew 20% over last year.

Secondly, IBI integrates a unique technology and intelligence platform into its designs. It helps municipalities integrate smart-city technologies for traffic management, lighting, and water control. It garners a recurring revenue stream from these solutions, and this segment is fast growing.

Lastly, IBI has been taking the past few years to reduce debt and improve its adjusted EBITDA margins. Now, it has the financial flexibility for some potential acquisitions, share buybacks, or both.

H2O Innovation: A Canadian ESG stock

Another intriguing Canadian infrastructure stock is **H2O Innovation** (TSXV:HEO). Today, this stock is trading for $2.30 per share. That is almost 20% down from highs set in January. Despite the stock decline, this business continues to get better and better. To me that always presents a great buying opportunity.

H2O provides specialized water and waste water solutions for corporations, utilities, and municipalities. Many people don't realize, but fresh water is increasingly become a precious and rare resource. Consequently, many municipalities are looking for ways to better preserve and manage their water assets. H2O has been a huge beneficiary from this trend.

Since inception, it has been growing by almost 30% a year. 87% of its revenues now are actually recurring. Likewise, adjusted EBITDA margins continue to get richer and are nearing its long-term target of over 11%. This Canadian stock is growing both organically and by acquisition. I believe it is still early innings for this business.

Sangoma Technologies: A top Canadian technology stock

Sangoma Technologies (TSXV:STC) is another Canadian stock that has been trading on the cheap lately. Today, it trades around $3.70 per share. That is up from sub-$3 levels a few weeks ago. However, it is still down around 30% from highs set in February. Despite the decline, the fundamentals for this business still remain very strong.

Sangoma provides unified communications solutions for small- to medium-sized enterprises. This stock benefits from both "work-from-home" trends and "return-to-work" trends. It provides a one-stop shop of omni-channel communication solutions. Consequently, its offerings are a good fit for a broad array of businesses.

Its recent Star2Star acquisition is going to significantly boost its recurring revenue stream (to over 75%), and provide it scale to become a top leader in its market. All in, this Canadian stock still has a large runway of growth, so why not buy it at a discount today?

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Author
robbybrown