1 Top Canadian Stock to Buy Under $10

Description

There aren't that many truly great Canadian stocks that trade under $10 per share. For investors with a minimal amount sitting on the sidelines, I think it's wise to put it to work in such low-share-price **TSX** stocks if you have low or even no trading commissions. That said, I wouldn't put the low share prices at or even near the top of your list of traits on your stock screener.

You see, other than allowing you to buy a good amount of shares for a low cash amount, a low share price doesn't mean much. In fact, it's quite meaningless, as it's the market cap of a firm that investors should pay more attention to if they seek small- or mid-cap growth.

Heck, I'd argue that lower share prices should come with a warning label that says, "Just because this stock is low in price does not mean it's cheap or undervalued."

Believe it or not, many low-cost stocks may actually be overvalued, given their lacklustre fundamentals. As such, investors should understand what they're buying and not insist on stocks trading at a price below a certain amount. Of course, a wonderful business can happen to have a price under $10 or some other arbitrary amount. But it's the business and its valuation that should come above all else!

A top Canadian stock under $10 to buy now

In this piece, we'll have a closer look at one of my favourite Canadian stocks under $10. Enter **Goodfood Market** (TSX:FOOD), a meal-kit delivery company that recently clocked in an incredible quarter that sent shares surging by double-digit percentage points.

After an incredibly positive post-earnings reaction, the stock finds itself up 29% over this past week and 38% from its June lows. This explosive rally came shortly after the stock bottomed out after suffering a brutal 52% peak-to-trough plunge—a plunge I urged investors to buy aggressively before lower rates could propel it and other growth names higher.

Good food, great quarter

Goodfood revealed a slimmer-than-expected loss of $0.03 per share, a penny lower than the consensus estimate. Revenues came in at just shy of $108 million, an impressive 24% year-over-year rise. Undoubtedly, the gradual easing of pandemic restrictions was expected to take a toll on the stock as it faced tougher year-over-year comparisons.

So the fact that Goodfood was able to keep its momentum alive is a testament to the brilliant managers running the show.

The expanded product offering and an impressive marketing campaign were big contributors to the excellent quarter. The numbers themselves were terrific, but were they up-29%-in-a-week terrific? Probably not. As I stated in prior pieces, the damage done to Goodfood stock going into the quarter was likely blown out of proportion, as I urged investors not to bet against Goodfood's CEO Jonathan Ferrari.

Bottom line

Even after the quarterly pop, the under-$10 stock remains off miles away from its all-time high hit back in January 2021. Shares are now down a modest 32% and are not all that expensive after the recent relief rally. At just 1.7 times sales, Goodfood is a cheap, underrated growth stock under $10 that's worth a sizeable bet.

Sure, meal kits will face even tougher year-over-year comparisons going into year's end. Still, Goodfood, I believe, is a best-in-breed player that can continue to grow, even as tides turning against it.

With expectations still pretty muted, I'd say the odds of further beats are high. As such, I'd look to initiate half a position here and a half after a pullback.

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