



2 Under-the-Radar Stocks That Could Have Enormous Gains

Description

Every investor has a different strategy for picking “the winner.” In this aspect, investing overlaps with some forms of gambling. Some people go with their gut feelings; others form a hypothesis based on limited information.

It's relatively similar when it comes to investing in stocks. Some investors pick the simplest, most obvious stocks and funds and stick with them for a long time, which is a viable strategy for long-term growth. But there are investors who look for hidden gems — stocks that are not getting any mainstream attention but that might have enormous growth potential.

These under-the-radar [\(sometimes undervalued\) stocks](#) don't always pay off, but if they do, the returns usually turn out to be relatively superior compared to obvious growth stocks.

An investment company

With about \$45 billion worth of assets under management, **ONEX** ([TSX:ONEX](#)) is nowhere near the top of the wealth management and investment industry in Canada, but it's also not too small to be unstable. 73% of the company's investing capital is tied to private equity and about 13% to credit. The company has been operating for 37 years and has established a powerful clientele.

The company is currently [quite undervalued](#) if you consider the price-to-earnings multiple of 3.2 and price-to-book multiple of 0.9. From a price perspective, the company is not *at* its historical peak, but it's quite near it. The undervaluation is likely a by-product of its impressive returns in the last three quarters.

Even though the stock has been growing at a decent pace and has grown 58% in the last 12 months, it has a long way to go before it reaches a fair valuation. And if the second-quarter results are an improvement over the last year's returns, the stock might see another boost.

A venture capital company

Sangoma Technologies (TSXV:STC) is a Markham-based company that's been operating in the data and communication sphere since 1984. It has a market capitalization of \$379.5 million, making it quite sizeable compared to most other venture capital companies. [The company](#) offers business communication solutions — i.e., business phone systems (old school), cloud-based communication systems, video conferencing, etc.

Sangoma has been an amazing growth stock in the last five years. It has grown well over 900%, and that includes its recent fall from the peak, which has made the stock about 42% discounted. The valuation has also come down to relatively attractive levels, though it's still far from being undervalued.

The stock is going down consistently, and it might be a while before it bounces back. But if you can buy it at its lowest and the stock resumes its former growth pace, it can give a significant boost to your overall portfolio growth.

Foolish takeaway

Not all under-the-radar stocks are good buys from a valuation perspective. Weak financials might be another reason why investors are not paying any attention to these stocks. But if you can find stocks that might be on the verge of turning things around or a sector-wide transformation is expected, you might consider adding them to your portfolio *before* they get into the spotlight.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

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Date

2025/07/21

Date Created

2021/08/06

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