3 Ultra-Cheap Stocks That Could Surge Higher

Description

Inflation is at a record high. Everything, from rent to fuel, is much more expensive now. Luckily, some investment opportunities are actually getting cheaper. Here are the top three ultra-cheap stocks priced under $10 and reasonably valued that should be on your watch list.

Cheap stock 1

WELL Health Technologies (TSX:WELL) is on the top of my list because it's my higher conviction pick. Not only is WELL Health stock cheap in absolute terms – each share is priced at $7.4 – but it's also surprisingly undervalued based on fundamentals.

At the moment, WELL health's management team believes they can hit $400 million in annual revenue run rate this year. While the company's market value is $1.5 billion. That implies a price-to-sales ratio of 3.75 – extremely low for a company growing at this pace.

WELL Health stock is also trading at an enterprise value (EV) of $1.7 billion. Thus, the EV-to-gross profit ratio is 82. That ratio would have been high for any mediocre company, but WELL Health's gross profits expanded 615% year over year in its most recent quarter.

In short, this cheap stock should be on your watch list.

Cheap stock 2

Banxa Holdings (TSXV:BNXA) is yet another cheap stock that is oversold. The company processes fiat-to-crypto transactions for some of the largest digital asset platforms in the world. Their partners include Binance, Ledge, and Abra. Trading volumes and revenue have surged over the past year. However, the stock dropped 67% from its all-time high in February.

A rebound in the crypto market should lift this stock higher. Bitcoin and Ethereum are already up 40% and 70%, respectively over the past month. This should be reflected in Banxa's financial statements in the next quarter.

Banxa stock is currently trading at just $2.7 at writing. This ultra-cheap stock could bounce back swiftly in the coming months.

Cheap stock 3

Alaris Equity Partners Income Trust (TSX:AD) (formerly Alaris Royalty) isn't like the other stocks on this list. For one thing, the stock is priced at $17, which is far higher than WELL health stock or Banxa. It's also not a tech stock. However, it's simply too undervalued to ignore.

Alaris offers private companies growth funding, which essentially helps them avoid dilutive venture capitalist money and risky debt. Instead, the team offers small companies capital in exchange for preferred stock. Those cash flows are cemented right away, and the team can give this cash back to investors in the form of a dividend.

At the moment, the dividend yield is 7%. That's one of the highest rates on the market. The stock also trades at a price-to-earnings ratio of 6.3. It's simply too cheap to ignore.

In fact, the valuation and yield are so attractive that I need to consider pitfalls. The obvious caveat is that Alaris deals with small- and mid-sized firms that could be at risk if the economic recovery falters. These companies could be the first victims if the Delta variant causes another recession. However, that risk seems to be priced-in, so the downside is limited, in my opinion.

CATEGORY

1. Investing

TICKERS GLOBAL

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2. TSX:WELL (WELL Health Technologies Corp.)
3. TSXV:BNXA (Banxa Holdings Inc.)

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