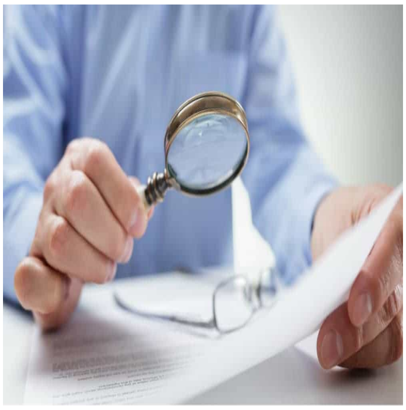

3 Stats to Check Before Buying a TSX Stock

Description

The TSX is the marketplace to make money, save, or build wealth for the future. Canada's primary stock exchange is among the global leaders in listed companies. You can invest in companies of all sizes. There are 11 primary sectors, so you can diversify to spread out the risks.

Stock investing is exciting, although you have to be smart. Besides the price, there are stats or metrics you need to check before buying a TSX stock. It would help to be well informed to increase your chances of success.

1. P/E ratio

One of three basic metrics is the price-to-earnings (P/E) ratio. It won't tell you the prospect's future earnings, but then it gives you an idea of how much the market is willing to pay for the stock based on past earnings.

2. 52-week high and low

Reviewing a stock's 52-week high and low tells the range within which the price fluctuates — peak or bottom. Some investors rely on this stat to determine entry and exit points. Others compare them with analysts' forecasts to see return potentials, whether positive or negative.

3. Free cash flow

Free cash flow (FCF) could be the determining factor when choosing stocks. It shows if the company has leftover cash to cover operating costs and meet capital expenditure requirements. Likewise, it indicates the ability to service debts or sustain payouts for dividend-paying companies.

High-growth stock

BlackBerry (TSX:BB)(NYSE:BB) is among the actively traded stocks on the TSX. The average volume in the last 10 trading days was 3.3 million. Many investors consider the former smartphone maker and now an intelligent security software provider a high-growth stock.

The tech stock's 52-week high is $36, while the 52-week low is $5.82. BlackBerry trades at $13.58 per share, or a trailing one-year price return of 109.89%. However, analysts' 12-month average price target is $7.64, which is a potential 44% drop from its current price.

The unfavourable forecasts stem from BlackBerry's dropping revenues in four of the last five quarters, including Q1 fiscal 2022. In the quarter ended May 31, 2021, revenue fell 16% to US$174 million versus Q1 fiscal 2021. Net loss, however, decreased 90% to US$63 million. Still, BlackBerry remains on investors' radars with its focus on cybersecurity and the Internet of Things, plus several key partnerships.

Overvalued cloud-computing stock

Kinaxis (TSX:KXS) carries a strong buy rating notwithstanding the high P/E ratio (1,006.61 five-year average). While the tech stock is overvalued ($200.78 per share), investors are willing to pay more because the growth potential of cloud computing stocks is massive.

The $5.47 billion company from Ottawa provides cloud-based subscription software for critical supply chain operations. However, if cash flow generation is your gauge, Kinaxis isn't attractive. In the first half of 2021, the company reported an 89% decline in profits.

Furthermore, and because of lower profits, the cash generated from operating activities fell 31% to US$35.7 million. Kinaxis follows a subscription model where the proportion of recurring revenue should be high. Despite the unimpressive financial results, management expects to end 2021 with 17-20% growth in Software-as-a-Service revenue.

Basic metrics

Other statistics are available for investors to chew on. The P/E ratio, 52-week high and lows, free cash flow are some of the basics. BlackBerry and Kinaxis may not pass in some essential metrics, yet both are on the shopping lists of growth investors.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:KXS (Kinaxis Inc.)

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