3 Under-$20 Stocks I'd Buy to Beat the Market

Description

Canadian stocks are trading higher, thanks to the strong buying in equities over the past year. However, many high-growth stocks still trade under $20, providing a solid opportunity for buying. Let's take a look at three such under-$20 stocks that have solid potential for growth and will likely outperform the broader market by a wide margin in the coming years.

Payfare

Payfare (TSX:PAY) stock is a lucrative investment under $20. The company, providing instant payment solutions and digital banking to gig workers, has been growing rapidly, while its stock has more than doubled in six months.

Its recurring revenue base, low customer acquisition cost, streamlining of vendor contracts, and cost optimization provide a strong base for growth. Furthermore, its partnership with leading marketplaces and platforms drives its revenues and customer base.

Notably, the economic reopening and rising demand for food delivery and ridesharing are accelerating its growth rate. Payfare's revenue increased by 73% sequentially and 263% on a year-over-year basis in Q2. Meanwhile, its active user base marked an increase of 79% on a quarter-over-quarter basis. Further, it increased by 618% when compared to the prior year.

Overall, its highly scalable platform, the addition of new verticals, and a large addressable market indicate that Payfare could deliver solid revenue and user growth in the coming years, which will likely support its stock price.

BlackBerry

BlackBerry (TSX:BB)(NYSE:BB) is another top long-term bet trading under $20. The increased spending on cybersecurity amid an ongoing digital transformation and a recovery in the automotive market provides a strong foundation for growth in BlackBerry stock.

BlackBerry recently delivered impressive quarterly financial performance, despite the global chip-shortage issue. Its Cyber Security business benefitted from solid billings and new product launches. Furthermore, its IoT (internet of things) segment continues to gain from its market-leading position and a growing customer base.

Looking ahead, BlackBerry expects its total addressable market to reach $89 billion in 2025 from $38 billion in 2020, providing solid growth opportunities for the company. Meanwhile, secular trends in the auto market, including automation and electrification, and the increased need for cybersecurity in the new-age digital economy indicate that BlackBerry could handily beat the broader market with its stellar returns.

Absolute Software

Shares of cloud-based security platform provider **Absolute Software** (TSX:ABST)(NASDAQ:ABST) are a high-quality investment under $20. The ongoing digital shift and increased demand for cybersecurity provide a solid foundation for growth. Thanks to the favourable industry trends and expansion of its platform, Absolute Software has delivered stellar financials over the past several quarters.

Notably, its annual recurring revenue (ARR) has grown both on a year-over-year and sequential basis in the last four consecutive quarters. Meanwhile, its adjusted EBITDA has increased at a CAGR of 51% since FY18. Moreover, its customer base is growing rapidly, while the retention rate remains high.

Absolute Software's predictable revenue model, strong ARR, profitable growth, and solid cash-generation capabilities augur well for future growth. I expect it to benefit from the channel and global expansion, large addressable market, cross-selling, strategic acquisitions, and new product launches.

Furthermore, it is trading at a lower valuation multiple than its peers and looks highly attractive at current price levels.

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