

2 Dark Horse Stocks That Could Surprise You

Description

The **S&P/TSX Composite Index** has pulled off several surprises in 2021, particularly this month. It finished higher in each of the trading days from October 5 to October 25, 2021. The culmination was 21,284.80 points, a new record high. Also, <u>buying opportunities</u> are in abundance as 2021 winds down.

In a rising market, most investors usually pick popular stocks. However, popularity shouldn't always be the gauge. Sometimes, the winning investments are underdogs or <u>overlooked stocks</u>. Dark horses such as **WildBrain** (TSX:WILD) and **Sylogist** (TSX:SYZ) could spring surprises like the **TSX**.

High-flyer

WildBrain, a \$635.87 million company from Halifax, produces films and television programs for children and families worldwide. I'm not sure if it was solely the younger investors who drove the entertainment stock's explosive gains in 2021. The share price is absurdly low (\$3.65), but the year-to-date gain is 103.9%.

This content producer's strategy is to build brands and manage them throughout their life cycles. WildBrain creates consumer awareness for the managed brands. The company is behind popular kiddie shows like Yo Gabba Gabba, Peanuts, and Teletubbies.

WildBrain reported a \$208.8 million loss in fiscal 2020, but the business has turned the corner. In fiscal 2021 (year ended June 30, 2021), the company posted \$23.11 million in net income. Since the business is most robust during the fall and winter months, the Q1 and Q2 fiscal 2022 financial results should be far more impressive.

Among the top priorities in fiscal 2022 is activating intellectual property, growing key brands, and delivering sustainable growth. WildBrain aims to achieve between \$480 million and \$500 million in revenue. Management projects an Adjusted EBITDA is between \$87 million and \$93 million.

The healthy production slate and robust pipeline should help WildBrain achieve its objectives in fiscal 2022. Besides applying excess cash flow to pay debts, it will explore potential partnerships to monetize

the assets. The current partners include **Netflix**, DreamWorks, LEGO, Mattel, and **Apple** TV+.

Income and growth

Sylogist, a \$276.24 million software solutions provider, caters to the public sector and public service organizations globally. The tech stock isn't a high flyer, although it carries a buy to strong buy ratings.

Market analysts forecast a 41.1% return potential in the next 12 months. Your overall return should be higher since the stock pays dividends, a rarity in the tech sector. The share price is \$11.65 (+1.9% year-to-date), while the dividend is 4.29% if you invest today.

Among Sylogist's clients in the government and the public sector are the State of California and the Texas Department of Criminal Justice. The company provides student information systems and financial management tools for K-12 schools in Canada and the United States.

Sylogist also manages global operations for non-government organizations (NGOs) and offers secure payment processing solutions for point-of-sale (POS) and e-commerce transactions.

Despite the continuing adverse impact of the pandemic on bookings and professional services revenue, there's been significant progress in executing the strategy and growth plan. After three quarters in fiscal 2021, Sylogist's President and CEO Bill Wood, said, "We continued to make strategic investments to accelerate growth and build capacity to enable top-line expansion."

Favourites in 2022 efaul

Many stocks fly under the radar and escape the eyes of investors. WildBrain and Sylogist are dark horses in 2021 but are the favourites to deliver superior returns in 2022.

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- 1. Dividend Stocks
- 2. Investing
- 3. Tech Stocks

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- 2. TSX:WILD (WildBrain Ltd.)

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