2 TSX Growth Stocks That Could Double in 2022

Description

Stocks on the **TSX** have been facing pressure on a broad array of market fears. Whether it be the COVD-19 Omicron variant, rising interest rates, or inflation, the market is clearly not sure where to head next (except perhaps down). Some of Canada's top growth stocks have been pulling back significantly. Many of them are starting to hit valuations that appear quite attractive.

If the above concerns don't play out as badly as expected, the stock market could still be set up for a solid rebound in 2022. Some beaten-down Canadian growth stocks could potentially double next year. Two TSX stocks that could have some significant upside next year are **Nuvei** (TSX:NVEI)(NASDAQ:NVEI) and **Sangoma Technologies** (TSX:STC).

Nuvei

Over the past month, Nuvei has declined 23%. Certainly, it has had an incredible run in 2021. Despite the pullback, its stock is still up 90% over the past 52 weeks. Today, it has a market capitalization of $17.6 billion.

This TSX stock has had a strong run for good reason. This year, Nuvei has been growing revenues by over 90%. Yet, as it has scaled its payments platform, it has also rapidly grown profits.

Nuvei is currently producing EBITDA margins of over 40%. Management believes it could hit 50% over the longer term. Already, the company generates a lot of cash. To date, its management has been disciplined about acquisitions and it has focused on strong organic growth.

As payments rapidly digitize (including through cryptocurrency), Nuvei's adaptive platform will be increasingly important to merchants across the globe. Nuvei still has a large market to overtake from here. With a price-to-sales ratio of 21, this TSX stock is not cheap by any means.

There still could be more downside in this pullback. Yet, given the high-quality growth in this business, it should snap back just as quickly when sentiment returns.

Sangoma Technologies: A top TSX small-cap stock

With a market cap of $380 million, Sangoma Technologies is significantly smaller than Nuvei. However, after a steep 20% decline this month, it trades with a price-to-sales ratio of just three and an enterprise value-to-EBITDA ratio of 18.

Sangoma is a leading provider of unified communications-as-a-service solutions to small-to-medium-sized businesses. Early this year, Sangoma acquired a large cloud-focused peer. The acquisition expanded its presence in the U.S., increased recurring revenues, and helped expand margins.

For 2021, this TSX stock delivered 27% revenue growth and 50% adjusted EBITDA growth. In fact, it has been growing annual EBITDA by over 50% for the past five years.

The stock has been on a downward trend ever since it pulled out of a U.S. initial public offering (IPO). Since the start of the year, IPO sentiment has declined, so Sangoma did not believe the offering best served the business today. This doesn’t mean it can’t list in the U.S. another time in the future.

Despite having some of the highest margins in the industry, Sangoma trades at a material discount to its American peers. Most of these peers are not yet profitable or cash flow accretive. It is a far better company than it was a year ago, yet it is trading at a 52-week low. Despite being volatile, this TSX stock could significantly reward patient investors to the upside in 2022.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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2. TSX:NVEI (Nuvei Corporation)
3. TSX:STC (Sangoma Technologies Corporation)

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