2 Cheap But Exciting Growth Stocks I'd Buy for the New Year

Description

As profit-taking fades amid the Santa Claus rally, Canadian investors may wish to start nibbling away at cheap stocks while they still exist. Indeed, there's a bit of hesitation going into 2022. Many pundits have downbeat expectations for the new year, with scary rate hikes that are right up ahead. Still, Omicron, rate hikes and the U.S. Federal Reserve's tapering of asset purchases are likely mostly, if not fully, baked into markets right now. With such risks taken into consideration by Mr. Market, it may be a wise idea to begin doing some buying of the names that you deem are priced below your estimate of its intrinsic value.

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Now, it's really hard to form a precise intrinsic value range with some of the many beaten-down Canadian growth stocks out there. Even after suffering steep pullbacks, many such names still boast price-to-sales (P/S) multiples in the high double digits. Many are still unprofitable, with no plan to make a sustained move into profitability any time in the near future.

Fortunately, you don't need to act on such names just because they've fallen by some arbitrary percentage amount. Indeed, Warren Buffett doesn't dare wander outside of his personal circle of competence, and he does just fine. Like Buffett, you don't need to act on names with valuations you're still unsure of. Rates are going up, and they could surge much higher over the next two to three years. The implications for growth stocks could be even direr. As such, investors should manage their risks and only invest in what they know and know well.

Without further ado, here are two TSX stocks I'd look to buy or watch going into Q1 2022.

Spin Master

Canadian toymaker **Spin Master** (TSX:TOY) is arguably one of the more exciting plays on the TSX these days. The toymaker has grappled with supply chain constraints over the past few years. With Q4, a quarter of seasonal strength, expectations quite muted, I'd argue that investors should look to be a buyer of shares before they have a chance to surpass a low bar by a wide margin.

After beating on earnings in every quarter this year, I think the odds of a Q4 blowout is high. Despite

Omicron, the company is likely to continue posting solid results from its digital games business. Digital games aren't yet a needle-mover yet, but it's a fast-growing segment that should not be ignored.

The stock trades at an absurd 0.6 times sales and 21.6 times earnings. Come the new year, count me as unsurprised if the name makes a move to new highs. Great brands, a robust balance sheet, and incredible momentum in digital make for an incredible play that Canadians should strongly consider evaluating on their own.

Bausch Health Companies

Bausch Health Companies (TSX:BHC)(NYSE:BHC) has run out of steam lately. The health company has reinvented itself under the leadership of Joe Papa. Moving into the new year, the firm can be expected to continue chipping away at its mountain of debt.

With the eyecare and medical aesthetics spinoff coming, I'd argue that Bausch is not only a company that's been saved from a dire fate, but it's a firm whose balance sheet will be repaired enough such that some more deals can happen. Unlike the days of Valeant, Bausch is taking many steps back to focus on its strengths. In due time, the prudent strategy should pay off and prove the stock is severely undervalued today.

At 1.2 times sales, Bausch is a great steal on the TSX in my books.

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3. TSX:TOY (Spin Master)

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