



2 Generational Buy Opportunities for Your TFSA in 2022

Description

High-quality stocks are rare, which is why the most well-known ones are often overpriced. There are simply too many investors with too much capital chasing a shrinking pool of reliable growth stocks. However, there's always an opportunity to invest in some sectors of the market.

In 2022, opportunities seem to be cropping up in the small-cap tech sector. Tech and growth stocks have been beaten down over the past year, but small- and mid-sized tech firms have dipped even further than the large-cap giants. That's created some generational buy opportunities.

Here are some of the best opportunities for your Tax-Free Savings Account (TFSA) in 2022.

TFSA target #1

European enterprise software company **Topicus.com** ([TSXV:TOI](#)) is starting to look like a generational buy right now. The company's growth model is based on acquisitions of niche software companies in Europe — where valuations were already lower. This year, valuations may have dipped further, as investors pivot away from tech and risk assets.

Topicus stock, meanwhile, has dropped too. The price is now 26% lower than it was in November. While the price was declining, the company's operating cash flow jumped from €121 million in the first nine months of 2020 to €133.7 million in the same period of 2021. Assuming the company is on track to generate roughly \$230 million in operating cash flow, that implies a price-to-cash flow ratio of 19.

Put simply, Topicus stock is undervalued while opportunities for growth in Europe have improved this year. This makes it a rare buy opportunity for your TFSA.

TFSA target #2

WELL Health Technologies ([TSX:WELL](#)) is another fascinating [buy opportunity](#). This was a TFSA favourite in 2020. However, investors have moved away from telehealth stocks. That's pushed WELL

Health's valuation to an unbelievable low.

At the time of writing, the company expects its annual revenue run rate to exceed \$450 million. Meanwhile, the stock is down 46.6% from its all-time high. WELL Health's market cap is just 2.2 times annual revenue. In other words, the price-to-sales ratio is 2.2.

In 2022, the WELL Health team intends to expand its footprint in the United States — the world's largest healthcare market. Recent acquisitions have also helped the company enter new markets such as online pharmacy delivery. All these initiatives should be reflected on their balance sheet in the months ahead.

Another signal that the company is undervalued is the recently reactivated buyback program. You read that right — a startup tech firm is financially strong enough to buy its own stock and reward long-term shareholders while it achieves double-digit growth. That alone should put WELL Health stock on your radar.

Bottom line

Market panic and lower valuations could create some generational buying opportunities for your TFSA in 2022.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:WELL (WELL Health Technologies Corp.)
2. TSXV:TOI (Topicus.Com Inc.)

PARTNER-FEEDS

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2. Koyfin
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Date

2025/07/06

Date Created

2022/02/06

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