



3 Cheap Canadian Stocks That Can Deliver Superior Returns

Description

The **S&P/TSX Composite Index**, which was in deep red in the early hours of yesterday's trading, bounced back strongly to close in the positive territory. Amid Russia's invasion of Ukraine, U.S. President Joe Biden announced a series of sanctions. However, these sanctions were less severe than investors' expectations, leading to a strong bounce back. So, amid the improvement in investors' confidence, here are three cheap Canadian stocks that you can buy right now to earn superior returns over the next three years.

Lightspeed Commerce

Amid the recovery in the broader equity markets, **Lightspeed Commerce** ([TSX:LSPD](#))([NYSE:LSPD](#)) rose 6.5% yesterday. Despite the increase, the company still trades close to 80% lower than its September highs. Its forward price-to-sales multiple currently stands at 5.7, lower than its historical average.

Meanwhile, more businesses are shifting to the omnichannel selling model amid the increased adoption of online shopping. This transition has created a long-term growth potential for Lightspeed Commerce. Its growing customer base, increasing geographical footprint, innovative product offerings, and growing financials bode well for its growth. So, I believe investors with over two years of investment horizon can accumulate Lightspeed Commerce for superior returns.

Meanwhile, analysts look bullish on the stock. Of 19 analysts, 16 have issued a 'buy' rating, while two favour a 'hold' rating and the remaining one analyst has given a 'sell' rating. Their consensus price target represents an upside potential of over 100%.

Goodfood Markets

Goodfood Market ([TSX:FOOD](#)), an online grocery company that delivers grocery items and meal solutions, is my second pick. It has lost over 75% of its stock value compared to its 52-week high. Investors fear that the easing of restrictions could hamper its growth prospects. The lower-than-

expected first-quarter performance, expensive valuation, and fear of interest rate hikes have also contributed to a decline in the company's stock price.

However, I believe online grocery shopping could continue to thrive even in the post-pandemic world, given its convenience. Goodfood Market has also been strengthening its infrastructure to increase the speed of delivery. It has [planned](#) to open 20 micro-fulfillment centres across Canada this year to scale up its on-demand grocery and meal solutions network. Also, the increase in product offerings, geographical expansion, and strengthening of its production capabilities could boost its sales in the coming quarters.

Given its healthy growth potential and an attractive forward price-to-sales multiple of 0.6, [I am bullish on Goodfood Markets](#). Meanwhile, analysts favour a 'hold' rating, with return potential of over 40%.

Tilray

Third on my list is **Tilray** ([TSX:TLRY](#))([NASDAQ:TLRY](#)), which is trading 71.5% lower than its 52-week highs. Despite its impressive second-quarter performance, the company has lost substantial value due to the weakness in the cannabis sector amid a decline in Canadian recreational cannabis sales and delay in cannabis legalization by the U.S. federal government.

Meanwhile, I believe the correction offers an excellent buying opportunity for long-term investors, given its high-growth potential. Tilray has captured a substantial market share in Canada, given its wide range of medical and adult-use cannabis products. After acquiring a market-leading 20% market share in the German medical cannabis market, the company hopes to expand its footprint to other European countries.

In the U.S., Tilray plans to utilize its two strategic pillars, SweetWater and Manitoba Harvest, to expand its THC business upon legalization. So, its growth potential looks healthy. However, I expect the stock to be volatile in the near term due to the weakness in the sector. However, I expect Tilray to deliver superior returns over the next three years, given its high-growth potential and improving financials.

CATEGORY

1. Cannabis Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:TLRY (Tilray)
2. NYSE:LSPD (Lightspeed Commerce)
3. TSX:FOOD (Goodfood Market)
4. TSX:LSPD (Lightspeed Commerce)
5. TSX:TLRY (Aphria)

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Date

2025/09/29

Date Created

2022/02/25

Author

rnanjapla

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