4 Undervalued Canadian Growth Stocks to Buy in 2022

Description

The recent rout in Canadian growth stocks has created some fantastic buying opportunities. There are opportunities in small-cap technology, industrial, and consumer discretionary stocks. Here are four ridiculously undervalued stocks to buy for solid gains in 2022 and beyond.

A top diversified acquirer

Brookfield Business Partners (TSX:BBU.UN)(NYSE:BBU) is the private equity arm of **Brookfield Asset Management**. It owns and acquires businesses in a broad array of sectors including healthcare, construction, financials, technology, energy, infrastructure, and manufacturing.

BBU's business targets generally dominate a market niche or operate with strong competitive moats. It provides capital and management expertise, and it turns those businesses into cash cows. Over the past five years, it has compounded revenues and EBITDA annually by 42% and 37%, respectively.

Despite that, this Canadian stock only trades with an enterprise value-to-EBITDA (EV/EBITDA) ratio of 7.8. The company targets +20% annual growth going forward, so, on a growth-to-value basis, this stock is very attractive today.

A top Canadian tech stock

Sangoma Technologies (TSX:STC)(NASDAQ:SANG) stock has been hammered ever since the tech selloff started in late 2021. Over the past year, this Canadian stock is down 43%. Unlike many other technology peers, this stock is very cheap. It trades with a 13% free cash flow yield and an EV/EBITDA ratio of only seven.

Fundamentally, there is nothing wrong with this business. Last year, Sangoma grew revenues and EBITDA by 31% and 54%, respectively. It combined with a large cloud-based communications provider in the U.S. to become a leader in communications-as-a-service software. As a result, its 2022 outlookis projecting growth in the 60% range.

If you are not afraid to buy a beaten-up Canadian technology stock, this is one that could easily double and triple over the next few years once sentiment changes.

A top Canadian manufacturer

Another Canadian growth stock that is still incredibly cheap today is **BRP** (TSX:DOO)(NASDAQ:DOOO). BRP is one of the world's largest manufacturers of recreational vehicles and marine craft. It owns leading brands such as Sea-Doo, Ski-Doo, and Can-Am.

Despite supply chain challenges this year, the company continues to perform incredibly well. It just posted fiscal year 2022 results. Revenues increased 28.5%, EBITDA grew 46%, and earnings per share soared 84%!

The company continued to consolidate market share, and it significantly outperformed its guidance. The 2023 outlook was better than expected, and the market reacted positively.

Fortunately, this Canadian stock is still cheap with an EV/EBITDA of six and a price-to-earnings (P/E) ratio of nine. The company is buying back a tonne of stock from its ample free cash flow production. Consequently, there is still material upside from here.

A top Canadian industrial stock

One of Canada's least recognized serial acquirers is **Hardwoods Distribution** (TSX:HDI). Since 2010, it has consolidated more than 14 building product suppliers and distributors. Just in the last two years, it has added $1.4 billion of sales through acquisition. Today, the company is a leading distributor of architectural products in North America.

Over the past five years, Hardwoods compounded revenues and adjusted earnings per share by 22% and 38%, respectively. Last year, it grew revenues by 65% and EBITDA by 154%!

There is a massive housing shortage in North America, so that should be supportive for its long-term organic growth. Despite the strong results, this Canadian stock trades with an EV/EBITDA of five and a P/E of 6.2. The stock has recently been declining, but that makes for an even better chance to pick this stock up at a better bargain.

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robbybrown