3 Undervalued TSX Stocks That Could at least Double Your Money

Description

Although these undervalued TSX stocks can deliver returns that are out of the world, they're also high-risk investments. Therefore, investors should take care to allocate them properly in their portfolios. That said, having a group of such stocks making up, say, up to 10% of one's portfolio can result in meaningful wealth creation in the long run.

Shopify stock could triple your money?!

Shopify (TSX:SHOP)(NYSE:SHOP) stock lost about 75% of its value from its high! It could be a gem in the rough and can potentially triple investors' money from its current undervalued levels. Specifically, the 12-month analyst consensus price target suggests that the growth stock can appreciate about 268% in the near term. However, the negative sentiment around growth stocks and SHOP stock is so strong that it could take longer for the turnaround. Therefore, investors should expect a holding period of at least three to five years.

The tech stock's top line is still growing strong. Its revenues more than quadrupled from three years ago. More recently, its 2021 revenue increased 57% year over year to US$4.6 billion. Its gross profits also quadrupled in three years to almost US$2.5 billion. Last year's gross profit growth rate was almost 61%. From 2018, its gross profit margin dropped about 1.8% from 55.6% to 53.8%. As competition increases in the e-commerce space, this gross profit margin will likely be pressured.

Notably, Shopify's operating cash flow increased substantially from 2018's US$9.3 million to 2021's US$504.4 million. If the company is able to maintain growth in its operating cash flow, it's only a matter of time before the stock will turn around.

NFI Group stock

NFI Group (TSX:NFI) is also another stock with strong turnaround potential. Because it's a consumer cyclical stock, in the troughs of cycles, it can experience the kind of scary price action in the past seven months. From its high last year, the auto manufacturer stock lost more than 55% of its value. Over the next three to five years, it has the potential to more than double investors' money.

Currently, analysts have a 12-month price target $18.25, implying a near-term upside prospects of about 33%, which would still be a fabulous investment if materialized. Notably, NFI Group is a small-cap stock with a market cap of just over $1 billion. It is also more volatile than the average stock with a beta of about 1.65 (versus the market's beta of one), according to Yahoo Finance's calculation.

Chorus Aviation

Chorus Aviation (TSX:CHR) is another stock that could double investors' money over the next three to five years. The company provides regional aviation services and regional aircraft leasing, which is why it was depressed during the COVID-19 pandemic. The stock hasn't fully recovered yet. The demand for its products and services should make a significant rebound after the pandemic. The cyclical stock is essentially a pandemic-recovery play that can rapidly appreciate on a turn of events.

Right now, analysts have a 12-month price target $5.68, which suggests a near-term upside potential of roughly 45%. The stock has a market cap of about $695 million and a high beta of 2.27. So, expect high volatility in the stock.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SHOP (Shopify Inc.)
2. TSX:CHR (Chorus Aviation Inc.)
3. TSX:NFI (NFI Group)
4. TSX:SHOP (Shopify Inc.)

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kayng