3 Canadian Growth Stocks I'd Buy Under $20

Description

Investors don't require a lot of cash to start investing in stocks. What matters is market participation at all levels. In simple terms, a small but regular investment in high-quality stocks is enough to create significant wealth. Also, the Canadian stock market has several high-quality stocks that are trading cheap (under $20) but have the potential to deliver big returns in the long term.

Against this backdrop, let's focus on three quality stocks trading under $20 with the potential to grow further with time.

Absolute Software

Absolute Software (TSX:ABST) defies the broader market trend with its steady growth in ARR (annual recurring revenue). Its ARR has consistently increased at a mid-teens rate over the past several quarters. Though the widening of its losses in the first quarter of fiscal year 2023 dragged its stock lower, the pullback provides an opportunity for long-term investors to buy its stock at current levels.

Its enterprise and government customers are growing, while its adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) has a CAGR (compound annual growth rate) of 57% since 2018.

The ongoing digital shift and increasing cybersecurity threats will continue to drive demand for Absolute Software's offerings. Further, its large addressable market, predictable revenue model, expansion in new markets, and cross-selling opportunities augur well for growth.

WELL Health

Due to the recent selloff, **Well Health** (TSX:WELL) has become a penny stock. However, what stands out is the company's strong financial performance in the past several quarters. This digital healthcare service provider has been consistently growing its top line at a breakneck pace. Further, it expects to end 2022 on a profitable note, which is encouraging.

Despite tough year-over-year comparisons and the reopening of the economy, WELL Health has managed to drive its omnichannel patient visits. For example, its total omnichannel patient visits increased by 53% in the third quarter of 2022. Another key highlight is the rapid growth in its high-margin virtual services businesses. Notably, virtual services revenues increased 191% in the third quarter, leading to an expansion in its adjusted gross and EBITDA.

WELL Health has not seen any material impact on its business from the geo-political and inflationary environment, and management expects the momentum in its business to sustain in the fourth quarter. Overall, the strength in its organic sales, growing mix of high-margin business, and accretive acquisitions will support its growth. Thanks to the pullback, WELL Health stock is trading cheap (next 12-month enterprise value to sales multiple of 1.8), providing a buying opportunity.

BlackBerry

BlackBerry (TSX:BB) is an attractive technology stock for long-term investors. While its stock is trading cheap, its cybersecurity and IoT (Internet of Things) businesses continue to deliver strong growth.

The company is poised to benefit from higher enterprise spending on cybersecurity. Further, the electrification and automation of vehicles provide a solid platform for long-term growth. The company expects to grow its top line by a CAGR of 13% through 2027.

Segment-wise, IoT revenues are projected to increase at a CAGR of 20%. Meanwhile, cybersecurity revenues are forecasted to grow by a CAGR of 10%.

Its strong sales outlook, large addressable market, productivity savings, and recurring software product revenues will likely spur the recovery in BlackBerry stock.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:ABST (Absolute Software)
2. TSX:BB (BlackBerry)
3. TSX:WELL (WELL Health Technologies Corp.)

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