3 Canadian Growth Stocks I'd Buy Under $20

Description

The TSX has several stocks trading well below $20. As these stocks are cheap, they attract investors. However, I want to caution investors from buying stocks based on their low dollar prices. Instead, investors should look for stocks that are cheap, have a proven business model, and have the ability to sustain growth.

Against this backdrop, let's look at three Canadian growth stocks that are trading under $20 and have the potential to deliver solid returns in the long term.

StorageVault Canada

StorageVault Canada (TSX:SVI) owns and manages storage locations (self and portable storage). It has 204 storage locations and 4,527 portable storage units. Also, it manages 34 stores owned by third parties. StorageVault benefits from the strong demand led by population growth, increasing e-commerce penetration, and the requirement for last-mile storage and logistics solutions.

Thanks to the solid demand, StorageVault has sustained its top-line growth, despite a challenging macro environment. In 2021, its revenues increased by 34%. Meanwhile, in the nine months of 2022, its storage and related services revenues increased by 27.3%. During the same period, its operating income increased by 28.5%.

StorageVault's increase in rentable space and strong demand will likely support its growth. Also, its focus on maximizing revenue through increasing its rent per square foot augurs well for growth. Also, its rentals are of short duration (weekly or monthly), enabling it to manage demand and pricing strategy well and counter inflation. StorageVault is a solid mid-cap stock for long-term investors trading under $20.

WELL Health

The selling of Canadian technology stocks amid economic reopening and normalization in demand weighed on **Well Health** (TSX:WELL), a digital healthcare company. Despite challenges, WELL Health consistently delivered solid organic growth in 2022. Further, benefits from acquisitions accelerated its growth.

Its top line is benefiting from an increase in omnichannel patient visits (increased by 53% in the third quarter of 2022). Moreover, solid momentum in its virtual services unit is positive. Despite its strong financial performance and upward revisions in 2022 guidance, WELL Health stock has corrected by about 36% in one year, providing a good entry point for investors.

Furthermore, the resiliency of its business, management's upbeat revenue outlook and acceleration in the high-margin virtual services business bode well for growth. Also, its focus on reducing debt and strategic acquisitions provide a solid platform for future growth.

Absolute Software

The ongoing digital transformation and growing cybersecurity threats provide a solid base for **Absolute Software** (TSX:ABST) to deliver robust growth led by high demand for its cybersecurity products. The company is performing well and growing its enterprise and government customer base. Thanks to the strong demand for its products and services, Absolute Software stock has gained over 45% in one year and outperformed the benchmark index.

The company's annual recurring revenues have marked double-digit growth in the past several years. Moreover, its adjusted earnings before interest, tax, depreciation, and amortization have grown at a compound annual growth rate of 57% since 2018.

Overall, the secular sector trends, its growing customer base, cross-selling opportunities, and geographical expansion will likely support its growth and drive its stock price.

CATEGORY

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2. TSX:SVI (StorageVault Canada Inc.)
3. TSX:WELL (WELL Health Technologies Corp.)

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