Got $1,000? Buy These Hot Growth Stocks Before They Take Off

Description

If you want to get good returns in the stock market, buy a growth stock when it is trading near its low. Luckily, the tech stock sell-off ahead of the interest rate hikes by central banks created a bear market for all growth stocks. At the same time, it shifted investors' interest to dividend stocks. Most dividend stocks carry significant debt to finance their operations and generate regular and stable cash flows. But high-interest rates are putting pressure on their profit margins and shifting investor focus back to growth.

Two growth stocks to buy before they rally

If you have $1,000 in your Tax-Free Savings Accounts (TFSA), why not buy some stocks with good growth potential before the rally takes off.

Dye & Durham stock

Dye & Durham (TSX:DND) stock has already surged 55.6% from its December 2022 levels after the long-due acquisition of Australia's Link group was terminated. While the acquisition would have brought A$257 million adjusted EBITDA and ~$125 million merger synergies, the delay was eating up other opportunities. The end of the Link deal boosted DND stock up 41% between September 22 and 30, 2022, as it freed up money to invest in other productive opportunities.

Within two months of cancelling the Link deal, Dye & Durham repurchased 19% of its common shares. Dye & Durham provides workflow efficiency software to business professionals, including legal, finance, and real estate. It enhanced its platform for legal professionals by adding a comprehensive suite of litigation workflow solutions. This solution generates court forms and documents in civil litigation and small claim matters, saving a lot of time.

Dye & Durham resumed its inorganic growth with the acquisition of United Kingdom's Insight Legal, a premiere legal practice management technology innovator with more than 900 clients. DND has more than doubled its revenue in FY 2022 through acquisitions while maintaining an adjusted EBITDA margin of 56%. The company has net debt of $676 million, a risk for a software solutions provider firm. But the sticky nature of the platform keeps cash flow stable, allowing it to manage its debt repayment.

DND revenue is still growing at triple-digits through acquisitions and organic growth. The cloud business solutions provider has the potential to grow in the long term as the economy recovers. You could put, say, $500 in the DND stock and sell it when the stock doubles, doubling your money in the next two to three years.

BlackBerry stock

BlackBerry (TSX:BB) stock has already surged 28.6% to $5.84 in January after reaching its pandemic low of below $4.50. The company's stock fell due to continued declines in its quarterly revenue from its cybersecurity business and a higher churn rate. This decline came as inflationary pressures extended the sales cycle. BlackBerry's major consumer base is government contracts, and they have not cut down on tech spending, which is good news for BlackBerry. It is optimistic of new contracts and contract renewals, probably in the latter half of 2023 when the central bank puts a pause on increasing interest rates.

Moreover, a significant amount of BlackBerry's royalty revenue is in the backlog. The company earned revenue from several design wins for its automotive software QNX. The next phase of royalty revenue will be released when the car is in production. The automotive market has been in a tight spot as supply disruptions have affected production. As these supply issues unwind, automotive sales will increase, unlocking Blackberry's revenue. But it also runs the risk of automakers cancelling the car launch if a recession deepens.

BlackBerry has $505 million in cash reserves that could help it survive a period of low orders and moderate losses. Once the economic recovery begins, increasing cyber security spending and car sales could drive BlackBerry stock to its average trading price of more than $8, representing a 40% upside.

Investor takeaway

The above two growth stocks could grow your money in a recovering economy. If you already own these stocks at a much lower price, keep holding them as there is more growth coming. At the same time, keep your TFSA portfolio diversified across sectors and asset classes (gold and REIT). You could also consider looking at some of these top Canadian stocks.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:DND (Dye & Durham Limited)

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