3 Cheap Canadian Stocks to Buy Under $20

Description

The stock market is rapidly recovering, which means it's an excellent time to buy some cheap stocks. Here are the top three cheap stocks worth less than $20 that you should keep an eye on throughout 2023.

WELL Health

Virtual healthcare company **WELL Health Technologies** (TSX:WELL) has lost 58% of its value from last year but is still worth 32 times more than its listing price in 2016. This serial compounder is experiencing steady growth, despite the turmoil in the rest of the tech sector.

In 2023, the company expects to generate $550 million in annual revenue. Meanwhile, the current stock price is $3.7, which implies a market capitalization of $853 million. Put simply, WELL Health trades at a price-to-sales ratio of 1.55.

I expect the company to sustain its pace of acquisitions and international expansion this year. Investors could see tremendous upside if the stock's valuation reverts to its long-term mean.

Canada Goose

Luxury fashion retailer **Canada Goose** (TSX:GOOS) barely makes this list. That's because its growth has slowed down in recent years, and the price is just slightly higher than $20 per share.

The company recently said it expects 2023 revenue to be between $1.175 billion and $1.195 billion. That means the stock trades at 2.5 times annual revenue. This target is also barely higher than the $1.1 billion it generated last year.

However, I believe the company could be on the verge of a turnaround. Today, the Canada Goose team announced a new growth plan that includes fresh products and new stores. The company intends to double its locations from 51 to 102 in the next few years. It's also going to launch eyewear, luggage, and home products focused on younger consumers.

This new strategy should help the company deliver $3 billion in revenue by 2028. That's a compounded annual growth rate of 20% over five years. Investors seeking a contrarian bet on the retail industry should add this $20 stock to their watch list.

Baytex Energy

Energy prices have declined in recent months. This winter was milder than expected, and Europe replaced Russian natural gas with liquified imports from Qatar and America at a breakneck pace. Consequently, oil, natural gas and producer stocks have all lost value since June last year.

Baytex Energy (TSX:BTE) has lost 33% of its value over that period. It now trades at $5.9 per share, just 3.2 times higher than annual earnings per share.

Eric Nuttall, a partner and senior portfolio manager at Ninepoint Partners, estimates that Baytex could generate a free cash flow yield of roughly 19%, even if crude oil settles at U.S.$70 for the foreseeable future. Put simply, Baytex (and other small-cap oil producers) have a comfortable path to profitability for 2023 and beyond.

Bottom line

Investors seeking a passive-income opportunity at a bargain should add these energy stocks to their list.

CATEGORY

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2. TSX:GOOS (Canada Goose)
3. TSX:WELL (WELL Health Technologies Corp.)

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