Buy These 3 Oversold Stocks NOW

Description

A quick screen of TSX common stocks that lost at least 10% in February and have market caps greater than $500 million produces a list of 41 companies.

While some of the stocks experiencing significant declines last month deserved the correction — **Element Fleet Management Corp.** (TSX:EFN) for disappointing investors, and **Dollarama Inc.** (TSX:DOL) for merely running out of steam — but others got knocked down as part of an overall 2.8% decline in the TSX Composite for the month.

That's why I believe it's time to buy these three oversold stocks now.

Cara Operations

When **Cara Operations Ltd.** (TSX:CARA) announced it was buying Keg Restaurants Ltd. for $200 million January 23, 2018, it was trading just under $25. The news was met enthusiastically by investors, pushing its stock over $27, only to see all of that goodwill disappear in February; it now trades below where it was immediately before announcing the critical acquisition.

I've always thought Cara was a misunderstood stock that's better than its $24 price tag. Now that it's in business with a well-run Keg operations and **Fairfax Financial Holdings Ltd.** holding a majority of the votes, I see $30, possibly by the end of 2018.

Maxar Technologies

Fool.ca contributor Joseph Solitro did an excellent job February 26 explaining why **Maxar Technologies Ltd.** (TSX:MAXR)(NYSE:MAXR) saw its stock drop by more than 12% after announcing its fourth-quarter earnings.

While it had a good 2017, the company's outlook for 2018 included a 2-4% decline for the year — enough to send investors packing.

I've always found that investors tend to overreact to negative news with equal enthusiasm to good news. In Solitro's estimation, Maxar's stock is a bargain at 12.3 times fiscal 2017 adjusted EPS of US$4.16.

For me, Maxar's cash flow from operations is what stands out. It was US$130.4 million in 2016; the company believes it could be as high as US$400 million in 2018, more than 200% higher in just 24 months.

MAXR stock might be down, but it's definitely not out.

BRP

For those unfamiliar with **BRP Inc.** (TSX:DOO), it is the recreational products business formerly owned by **Bombardier, Inc.** until being sold in 2003 to an investor group that included Bain Capital and the founding Bombardier and Beaudoin families. They proceeded to take it public a decade later at $21.50; it's up 114% since then, despite the 12% correction in February.

The big concern for investors at the moment is a potential trade war that could affect how many snowmobiles and ATVs it sells in the U.S. and the profits it makes from each sale.

While this is a serious concern, I'm confident the company's move to open a big office in Texas is part of its solution to the what-if scenario.

If DOO falls into the mid to low $30s, I'd be backing up the truck. As it is, I believe its stock is oversold given how well the business is performing at the moment.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MAXR (Maxar Technologies)
2. TSX:DOL (Dollarama Inc.)
3. TSX:DOO (BRP Inc.)
4. TSX:EFN (Element Fleet Management Corp.)
5. TSX:RECP (Recipe Unlimited)

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