3 Top Mid-Cap Stocks to Buy Right Now

Description

The stock market's recent volatility took a toll on many mid-cap growth stocks, creating an opportunity for investors to go bargain hunting. There's no guarantee that every beat-up growth stock will march higher from here, but I think the odds favor long-term success in **Alteryx** (NYSE: AYX), **Teladoc** (NYSE: TDOC), and **Avalara** (NYSE: AVLR). If I'm right, then I think buying these potential market leaders now after their recent sell-off will prove profit-friendly. Read on to find out why I'm a fan of these three fast-growing companies.

1. Making sense of information

Data is only useful if it can be exploited for insight that drives sales, efficiencies, and, ultimately, profit. Better insight means better outcomes, but historically, crunching increasingly larger and dispersed information has been a complex endeavor requiring specialized training and time. Fortunately, those hurdles are shrinking thanks to simple-to-use software sold as a subscription by Alteryx.

Alteryx provides drag-and-drop ease of use to data management, allowing everyone from business analysts to top-level decision-makers to garner insight without needing to write code. Importantly, Alteryx works regardless of whether data is stored in private, cloud, or hybrid applications, and integration means it plays well with many of the database solutions commonly deployed by customers, including offerings from **Microsoft** and **MongoDB**.

Using a land-and-expand business model, Alteryx's sales force concentrates on a single point of entry into customers, then they expand that relationship to a larger audience over time. It's an approach that's paid off. It works with over 5,000 customers in more than 80 countries, including over 650 of the Global 2000 companies. For perspective, Alteryx finished last year with over 4,700 customers in 70 countries, including over 500 Global 2000 companies. Organic sales into that larger customer base are also growing nicely. Last quarter, the company delivered its 14th consecutive quarter with a 120% plus net revenue retention rate, a measure of sales relative to sales a year ago at existing clients.

Alteryx's shares have dropped below $120 from a high near $150 earlier this month, making now a good time to consider adding it to portfolios. Admittedly, the company's double-digit price-to-sales (PS) ratio will raise eyebrows for value investors, but lofty PS ratios often normalize at fast-growing companies like this over time, especially once scale begins driving operating margins higher. Since Alteryx has plenty of customers it can still win and revenue jumped 59% year over year to $82 million in Q2, I think picking up shares is wise.

IMAGE SOURCE: GETTY IMAGES.

2. Simplifying healthcare visits

Tired of waiting in a crowded doctor's office when you or your child has the flu? Want a second opinion without traveling long distances? Looking for help managing a chronic disease? If so, then you'll understand why Teladoc ought to be in your portfolio.

Teladoc provides virtual health visits with doctors and specialists over the internet. Doctors like it because Teladoc can better manage their daily workflow while taking over complex administration functions, such as billing. Patients like it because of its convenience and low cost. Increasingly, employers and insurance companies are offering Teladoc's services directly to patients as a benefit because of the cost savings involved. For instance, the largest health insurer in the U.S., **UnitedHealth** , recently expanded access to Teladoc across its insurance plans nationwide.

Growing adoption is ramping up Teladoc's revenue. Sales increased 79% to $417.9 million in 2018, including acquisitions, and revenue rose 38% to $130.3 million in Q2. Virtual visits with patients exceeded 900,000 last quarter, and that's only a fraction of the nearly 1 billion visits to doctors in the U.S. annually, suggesting plenty of sales runway.

Teladoc's shares have retreated from $85 to less than $70 in the past year, providing a nice entry point, and a PS ratio below 8 suggests it isn't as expensive as other growth stocks you can consider buying. If you believe like I do that the future of health will migrate to solutions on demand, then this could be a perfect time to buy.

IMAGE SOURCE: GETTY IMAGES.

3. Crossing T's and dotting I's

Making sure a company is complying with regulations and changing tax codes across borders isn't discretionary. If a company wants to succeed, it needs to make sure its governance is top notch, which is why corporations are increasingly turning to Avalara.

In the U.S. alone, there are over 12,000 sales and use tax jurisdictions alone. Since tax calculations must often be done at the time of a transaction and transactions are increasingly complex because of e-commerce sales and global sourcing, automating processes rather than relying on manual entry systems can reduce exposure to costly mistakes. By subscribing to Avalara's service, companies effectively outsource tax determination, document management, and preparation and filing. In short, Avalara addresses a key pain point for corporations, allowing businesses to focus more resources on growing sales and boosting profit.

Avalara exited 2018 with 9,070 core customers, up from 6,650 two years ago, comprising about 85% of its revenue, and its net revenue retention rate has exceeded 100% since 2017, including a rate of 111% in Q2 2019. The market opportunity for the company is much bigger than this, though. Its sweet spot is mid-sized companies with 20 to 500 employees, and there are hundreds of thousands of American companies that size, plus many more potential customers worldwide. In Q2, revenue grew 42.9% year over year to $91.3 million as its core customer count improved to 10,430.

Because Avalara's software updates automatically, because it can integrate with commonly used sales tools, and because its addressable market is big, buying this mid-cap stock now that shares have lost over 10% of their value since August makes sense.

CATEGORY

1. Investing
2. Tech Stocks

POST TAG

1. Syndicated

TICKERS GLOBAL

1. NYSE:AVLR (Avalara Inc)
2. NYSE:AYX (Alteryx)
3. NYSE:TDOC (Teladoc Health Inc.)

Category

1. Investing
2. Tech Stocks

Tags

1. Syndicated

Date
2025/07/20
Date Created
2019/09/22
Author
todd-campbell