2 Unreasonably Battered Stocks I'd Buy Before They Can Correct to the Upside

Description

Right now, the market is pretty inefficient.

The coronavirus crisis has made it that much harder to value stocks, and Mr. Market tends to exaggerate his mispricings on out-of-favour stocks. This gives a chance for self-guided stock pickers to scoop up the bargains and improve their chances of beating the **TSX Index**. Without further ado, let's have a closer look at two value plays that I think are mispriced to the downside and could be due for an upward correction once investors on Main Street have a chance to catch on.

Sleep Country Canada

Here's a stock that needs no introduction. The mattress retailer behind that iconic jingle ("Why buy a mattress anywhere else?") has been pummeled of late thanks in part to the coronavirus crisis. Sleep Country stock had been hurting well before the crisis, though, as the company lost ground to up-and-coming mattress-in-a-box competitors such as Casper and Leesa, which have found a spot with younger consumers, like those in the millennial cohort.

In many prior pieces, I've urged investors to hit the snooze button on the stock. And as it turned out, my recommendation to avoid shares was right on the money. Given the recent downfall in the name, though, I believe ZZZ stock has hit a valuation that I find compelling enough to reignite my interest.

The dividend is a heck of a lot more rewarding, with a yield of 4.5%. And the price of admission, I believe, is far too depressed given the quality of its underlying assets.

Yes, brick-and-mortar retailers are horribly out of favour, but at 1.85 times book, which is close to the lowest it's ever been, I think now is as good a time as any to step in with a contrarian position, as you wait for the iconic brand to bounce back out of its slump. Peak mattress sales, I believe, may be behind us if we're due for a V-shaped recovery from the coronavirus crisis. And if that's the case, Sleep Country stock may be on the verge of waking up after its multi-year hibernation.

BlackBerry

For a company that provides you with a front-row seat to the lucrative cybersecurity, Internet of Things, and enterprise software markets, you'd think **BlackBerry** (TSX:BB)(NYSE:BB) would be up considerably alongside almost every other Software-as-a-Service company out there amid the latest tech bounce. That's simply not the case with BlackBerry, which continues to stumble amid its transformation, as shares trade at a ridiculously low 1.3 times book at the time of writing.

While BB's stock chart may suggest the transformation has ultimately been a failure and that big-league investor Prem Watsa (Canada's Warren Buffett) was wrong to invest in the firm, I think that BlackBerry is a turnaround story that just needs more time to come to fruition. If you've got a multi-year time horizon, I'd give the company a chance to prove itself, as management looks to turn all its businesses in the right direction.

I don't think the BlackBerry turnaround is a failure. It's a complex turnaround story that's been made more complicated by recent acquisitions. The assets are incredible, and so too is management who has the tools to get BlackBerry back on the right track. If you're looking for deep value and have years to wait, BlackBerry looks like it's ripe for picking right here.

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