2 Oversold Growth Stocks to Buy Right Now

Description

The TSX fell more than 200 points on Monday as North American markets were down, as rising COVID-19 numbers continue to worry investors. Many stocks are now in and around oversold territory and could be attractive buys today. One way to determine whether a stock is oversold is by looking at its Relative Strength Index (RSI). RSI is a measure of momentum, and it tracks a stock's gains and losses, normally over a 14-day period. And when the losses outweigh the gains, the lower the RSI number becomes. Once it falls to 30 or lower, a stock is considered to be oversold.

The two growth stocks listed below have been struggling of late and are right around an RSI of 30 and could be attractive additions to your portfolio today.

Couche-Tard

Alimentation Couche-Tard (TSX:ATD.B) is right around the oversold mark with an RSI of just under 31 as of Monday's close. Shares of the convenience store giant are down 9% in just the past month, closing below $43 yesterday — the last time that happened was at the start of September. With a negative outlook for the economy and coronavirus cases, the stock could potentially fall even further. If there are fewer cars on the roads and people aren't travelling, that will negatively impact Couche-Tard's convenience store sales.

However, outside the market crash that occurred in March, Couch-Tard stock has normally stayed fairly steady at above the $40 mark. And it's still a fairly strong business. In its most recent quarter, sales of $9.7 billion declined 31.4% for the period ending July 19. But the company's net earnings of $777.1 million were up 44% from the prior-year period.

At a price-to-earnings (P/E) multiple of just 14, Couche-Tard is a cheap growth stock that investors can buy today and hang on to for many years.

Open Text

Open Text (TSX:OTEX)(NASDAQ:OTEX) is another stock that's been struggling of late, as it's declined 7% in the past month and currently sits at an RSI of 28. However, the tech company is coming off a strong fourth quarter where its sales of US$826.6 million grew 10.6% from the prior-year period, as its cloud services and subscriptions generated growth of 37.5% during the period. The company finished the year with sales of US$3.1 billion — up 8.4% year over year.

The cloud has been a popular place to invest amid the pandemic, as more businesses are opting for online services, and so it's a surprise that Open Text hasn't benefitted from that bullishness of late. A key metric that investors should focus on is annual recurring revenue (ARR), which makes up 80% of Open Text's top line. In Q4, the company reported a record ARR of US$657.5 million, which grew by 18%.

Although profits of US$26.4 million were down 63% from the same period a year ago, the important takeaway here is that Open Text is still growing at a great rate and a lot of that revenue is recurring. The stock is trading at a high P/E ratio of more than 47 but looking ahead, it's at a forward P/E of only 13.5. Overall, there are more reasons to buy Open Text today than there are to sell, and that's why this could be an underrated stock to add to your portfolio today.

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