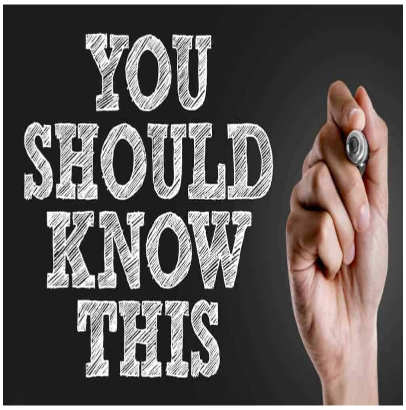

2 Undervalued Stocks for May 2021

Description

After a year-long bull market, it's become remarkably difficult to find good value. Undervalued stocks are rare, but if you're willing to look below the radar you can certainly find them.

Here are my top two picks for undervalued stocks you should consider adding to your watch list in May.

Undervalued stock 1

Kinaxis (TSX:KXS) has rallied 80% over the past year. Demand for its cloud-based subscription software for supply chain operations skyrocketed. The stock sentiments edged higher on securing deals with top companies such as **Ford, Toyota,** and **Unilever**.

Fast forward, the stock has taken a significant hit, dropping 16% in 2021. Amid the drop, Kinaxis is still up by more than 30% year over year. The poor performance in recent weeks can be attributed to disappointing Q4 financial results. Revenue in the quarter was down 2% year over year to $54.9 million. Gross profit and adjusted EBITDA were also down 16% and 66%, respectively.

Nevertheless, Kinaxis was still able to report a 17% revenue growth for the full year. Gross profit also jumped 12% to $154 million. Management is projecting an improved business environment to continue driving growth. That means investors should look ahead to see why the stock is undervalued.

Growth prospects

The pandemic has significantly changed how companies and businesses operate. Similarly, demand for Kinaxis cloud-based supply chain software is expected to remain high as small businesses and enterprise companies move most of their operations online.

The supply chain management software developer is well positioned to continue winning new customers as they transition to the cloud heats up. In return, its recurring income base should continue to grow as a diverse and robust subscription base supports it.

While the stock is trading at 14.1 times sales and 110.24 forward prices to earnings ratio, it's clearly not cheap. However, going by its growth story and tremendous opportunity for growth on growing demand-supply chain management software, it looks pretty undervalued after the recent pullback.

Undervalued stock 2

Alimentation Couche-Tard (TSX:ATD.A)(TSX:ATD.B) is an underappreciated gem. Investors tend to overlook the company because its core business – selling fuel – is looking obsolete. However, I believe investors are too optimistic about how soon the global vehicle fleet can be turned electric. Meanwhile, the company is future-proofing itself and buying back its stock.

Couche-Tard has already started rolling out electric charging stations across its European outlets. It's expected to bring this to North America soon. Meanwhile, fuel sales should rebound strongly as the global economy reopens in the second half of 2021. In fact, the company's most critical market – the U.S. – has already reopened.

Couche-Tard stock has been flat for roughly two years. It's trading at the same level it was far before the pandemic. However, the company has enough cash ($2.74 billion) on hand to secure a major merger. While its stock is trading at a price-to-earnings ratio of just 13.

This undervaluation has encouraged the company to launch a new program to buy back over 33,955,152 Class B shares — a clear indication that the stock is undervalued and overlooked right now. It's definitely ripe for bargain hunters.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:KXS (Kinaxis Inc.)

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1. Investing

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vraisinghani