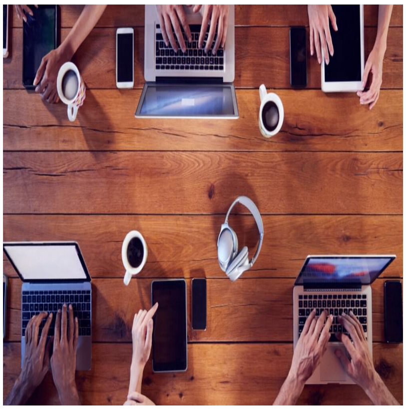

2 Beaten-Down Tech Stocks for 2021

Description

Tech stocks are drowning this year. Many have lost half their value since the year began. The sentiment about growth stocks has clearly shifted now that the economy is reopening and digital tools are getting less engagement.

However, some stocks have been overcorrected. Their current market prices are far too pessimistic when you consider their future potential. With that in mind, here are the top two beaten-down tech stocks that should be on your radar in 2021.

Grocery deliveries

Goodfood Market (TSX:FOOD) outperformed the broader market by a wide margin last year. The stock rallied by more than 300%, as it benefited from the growing demand for online grocery services.

A strong delivery capability resulted in the meal-kit company becoming a firm favourite for customers. Its customer base grew significantly, as more people switched to online shopping and cooking at home. Fast forward, and the stock has taken a significant hit tanking by more than 50% from its all-time highs. The correction should not arouse concerns given the solid fundamentals that affirm Goodfood’s growth metrics.

In the most recent quarter, the meal kit company delivered a 71% year-over-year growth in sales that crossed the $100 million mark for the first time. Sales topped analysts’ estimates, affirming the company’s services continue to resonate well with consumers, even as COVID-19 fears dissipate.

The market expects its sales to grow by 34% in 2021, which isn’t as impressive as investors were expecting last year but still far higher than the rest of the economy. The sales growth trend could be better given that many people still opt to cook fresh food at home rather than go out dining. Lower shipping and packaging unit costs should continue to cushion Goodfood Market margins and support a better-than-expected bottom line.

After the recent correction lower, Goodfood Market is highly undervalued. The stock is cheap given its price-to-sales multiple of 1.49 and price-to-book multiple of 4.60. The company has built robust infrastructure and brand awareness that positions it for tremendous growth. With a shift in shopping patterns to online, the stock should outperform the broader market in the next few quarters.

Telehealth

WELL Health Technologies (TSX:WELL) is yet another beaten-down tech stock that's unloved right now. The stock has lost nearly 30% of its value since hitting an all-time high in early 2021. Investors have clearly thrown the baby out with the bath water here.

Unlike the rest of the tech sector, WELL Health was never overvalued. Its strategy of acquiring and integrating smaller businesses has helped it expand its top line. This year, the company expects $300 million in annual revenue run rate. Meanwhile, the company is worth just $1.3 billion at current market value.

In other words, WELL Health trades at a price-to-revenue ratio of 4.3. Considering the fact that WELL Health has plenty of dry powder to secure more acquisitions and is likely to expand its footprint in the U.S. this year, I'd say the stock is deeply undervalued. Keep an eye on it.

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1. Investing
2. Tech Stocks

TICKERS GLOBAL

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2. TSX:WELL (WELL Health Technologies Corp.)

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