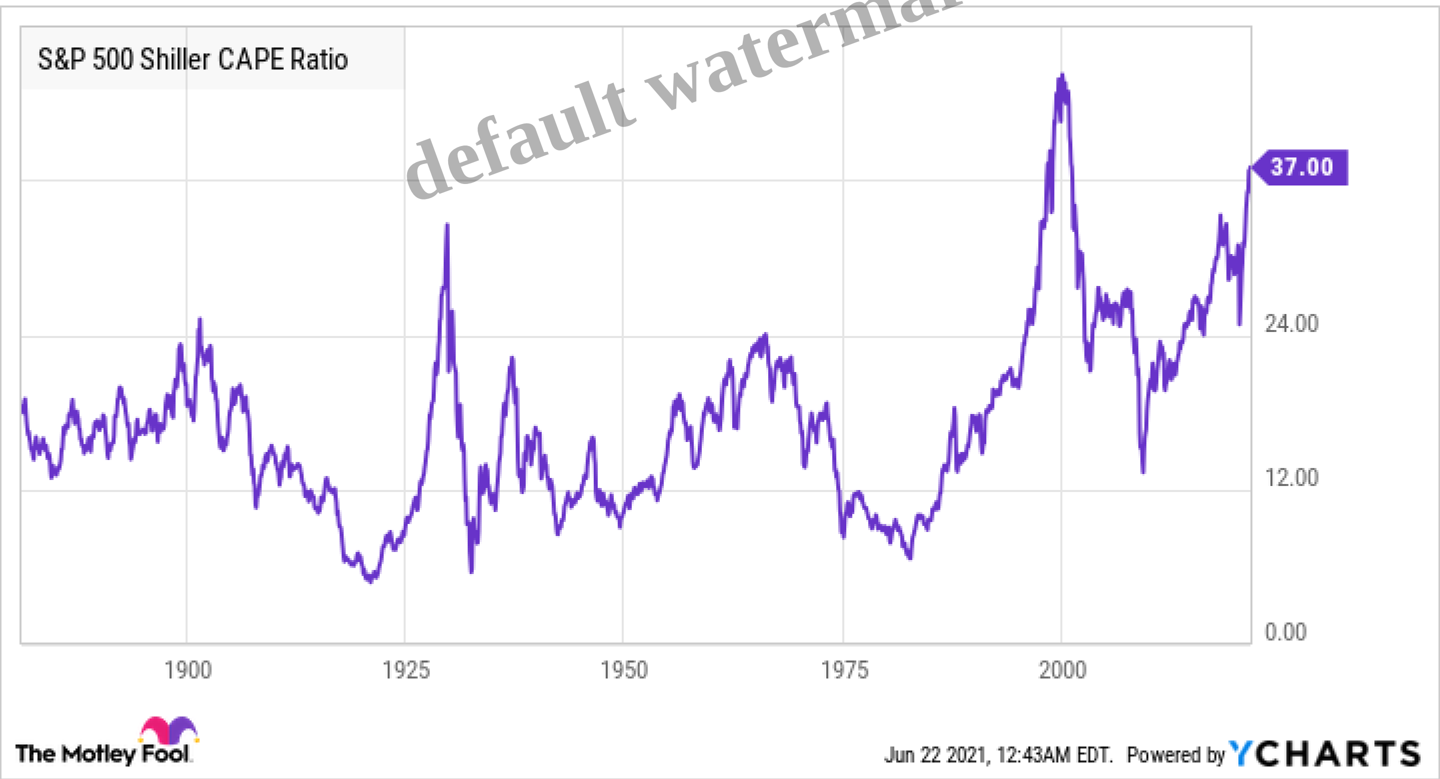
3 Absurdly Cheap Stocks to Buy in a Ridiculously Expensive Market

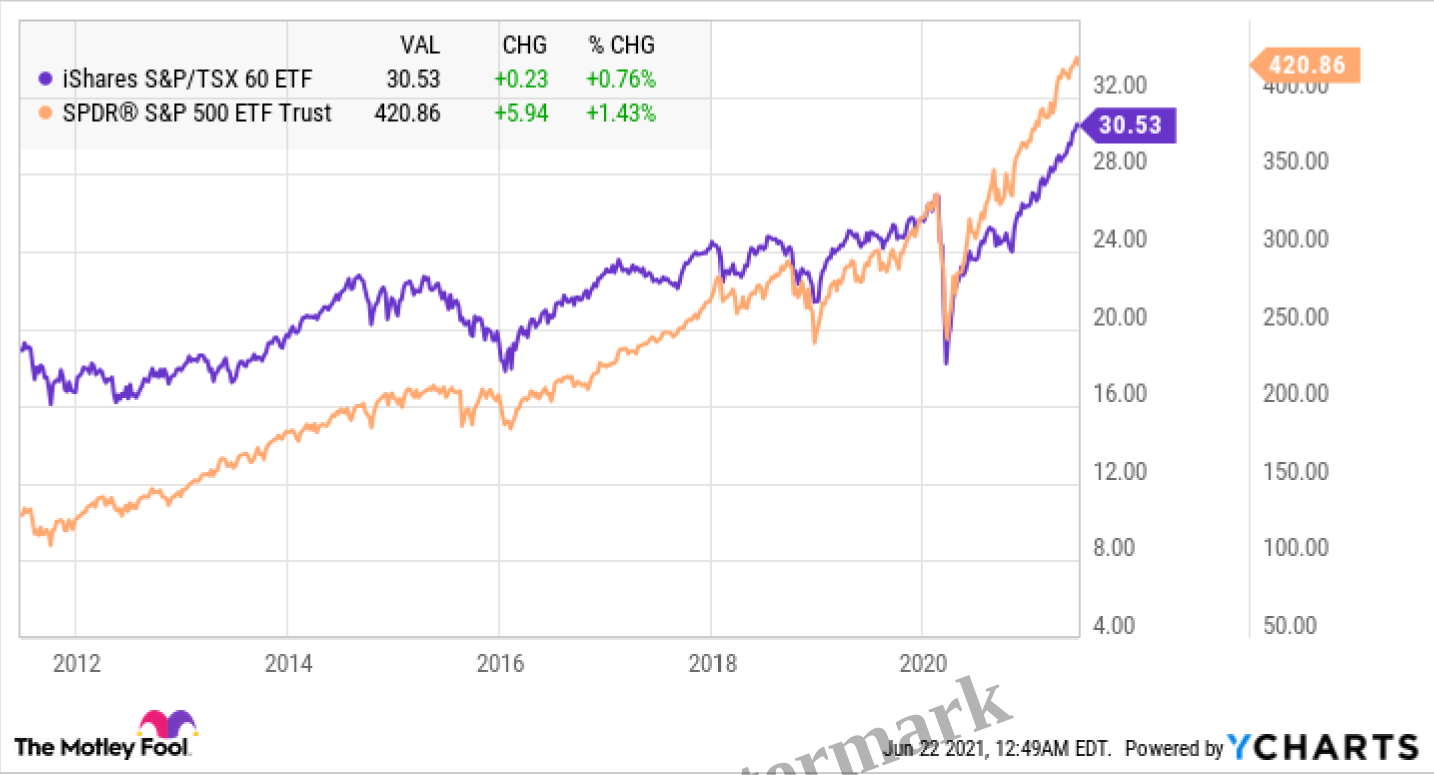
Description

According to the S&P 500 Shiller cyclically adjusted price-to-earnings (CAPE) ratio, the U.S. stock market is trading at its highest valuation in history (second only to the Internet Bubble)!



S&P 500 Shiller CAPE Ratio data by YCharts.

What's notable is that each peak in the graph was followed by a downturn — some more devastating for investors than others. A look at the chart indicates we could be closer to a peak than not, but there's no way to tell, unless in hindsight.



SPY and XIU data by YCharts.

The Canadian stock market moves in tandem with the U.S. market. So, Canadian stock investors need to tread as carefully as U.S. stock investors.

There's no question many stocks are now trading at sky-high valuations. Luckily, exceptions do exist. Here are three absurdly cheap stocks you can still buy in this ridiculously expensive market.

Cargojet

Most analysts think **Cargojet** (TSX:CJT) shares are absurdly cheap. Across 12 analysts, the consensus 12-month price target suggests a discount of 32%. That's a big margin of safety versus the stratospheric market valuation. The price target also implies near-term upside potential of almost 47% from the current levels of approximately $175 per share.

Cargojet is a necessity in today's e-commerce world in which consumers expect fast delivery of their purchases. It provides time-sensitive overnight air cargo services with a monopoly in Canada and is poised to continue benefiting from the e-commerce trend.

Additionally, the company is committed to on-time reliable and safe delivery and aims to exceed customer expectations, making it the go-to name for overnight air cargo services.

Tecsys

Tecsys (TSX:TCS) is another rare undervalued stock on the **TSX**. According to the average 12-month price target of five analysts, the tech stock has a whopping discount of 35%. This also means the growth stock could appreciate approximately 53% in the near term from the $40-per-share range.

The company provides end-to-end integrated supply chain management solutions, including streamlining enterprise resource planning, improving warehouse management, improving transportation management, etc. It serves more than 1,000 businesses across healthcare, distribution, retail, and third-party logistics.

The pandemic was a wake-up call for businesses that had weaknesses in their supply chains. Tecsys, as a result, did superbly well last year during the pandemic, by appreciating 143%. As growth isn't expected to be as high this year, the stock experienced a healthy pullback from its high of $55.

However, it is still growing fast with its last 12-month revenue increasing by 20% to $118 million. For instance, management sees a $600 million annual recurring revenue opportunity in the U.S. healthcare market.

TCS stock is a proven growth stock that has delivered annualized returns of about 33% in the last decade. This equates to roughly 18 times investors' money!

AcuityAds Holdings

If you thought Cargojet and Tecsys stocks were absurdly cheap, you're in for a treat with **AcuityAds Holdings** (TSX:AT)(NASDAQ:ATY). Apparently, AcuityAds stock trades at a massive discount of 42%, which implies near-term upside prospects of almost 74% from the $11.81 per share at writing!

It is a one-stop shop for omnichannel digital advertising, providing some of the best returns on advertising spend. Its solution allows for planning, buying, and real-time intelligence in one place with proprietary AI that brings programmatic capabilities.

The business has a decent balance sheet, especially after having its initial public offering last week on the NASDAQ. Combining that equity offering with the public offering in Canada, it raised gross proceeds of US$57.5 million that strengthened its financial position to allow it to pursue growth.

CATEGORY

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2. TSX:CJT (Cargojet Inc.)
3. TSX:ILLM (AcuityAds)
4. TSX:TCS (Tecsys Inc.)

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