3 Undervalued Stocks That Should Be Part of Your New Year's Shopping List

Description

In the last two months, several growth stocks have lost significant momentum as investors are worried about the steep valuations of companies and the new COVID-19 variant, in addition to rising interest rates. But it also provides you with a golden opportunity to buy quality companies at a cheaper multiple. Here, we take a look at three undervalued growth stocks that should be part of your portfolio in the new year.

Cresco Labs

Valued at a market cap of $2.2 billion, **Cresco Labs** (CNSX:CL) stock is down 63% from all-time highs. A multi-state cannabis operator, Cresco Labs is one of the largest marijuana producers in the world.

In Q3 of 2021, it reported revenue of US$215.5 million which was an increase of 40.6% year over year. Its adjusted EBITDA stood at US$56.4 million, indicating a margin of 26.2%. While sales were up 2.6% on a sequential basis, adjusted EBITDA soared by 24% compared to Q2 of 2021.

Cresco Labs continues to focus on expansion as it ended Q3 with 37 stores and this number has already risen to 45 at the time of writing. The company generated US$106.2 million in retail sales while net wholesale revenue stood at US$109.3 million in the September quarter.

Analysts expect sales to rise from US$476 million in 2020 to US$1.5 billion in 2022, valuing Cresco Labs stock at a forward price to sales multiple of less than 1.5. Wall Street expects the stock to almost triple in market value in the next 12 months.

Roku

Roku (NASDAQ:ROKU) stock is trading 51% below its all-time highs, making it the perfect contrarian bet right now. In the last 12 months, Roku reported sales of US$2.55 billion, an increase of 66% year over year. Its free cash flow also stood at US$266.2 million in the 12 months prior to Q3 of 2021.

Roku stock is valued at a market cap of US$31.4 billion and is forecast to report sales of US$2.8 billion in 2021 and US$3.8 billion in 2022. Its bottom line is also forecast to improve from a loss per share of US$0.14 in 2020 to earnings of US$1.67 per share in 2022. So, the stock is trading at a forward price to 2022 sales multiple of 8.3 and a price to earnings ratio of 138 which might seem expensive but growth stocks command a premium.

Wall Street expects ROKU stock to surge by over 60% in the next 12 months.

AcuityAds

The final stock on my list is the Canada based programmatic ads platform **AcuityAds** (TSX:AT)(NASDAQ:ATY). Down 86% from all-time highs, AcuityAds stock is valued at a market cap of $276 million.

In Q3 of 2021, the company's sales rose to $27.5 million which was an increase of just 5.4% year over year. After adjusting for currency fluctuations, AcuityAds revenue was up over 11% in Q3. AcuityAds attributed tepid sales to lower ad spending due to supply chain disruptions that impacted its top line.

The key primary driver of revenue growth for AcuityAds is Illumin, an interactive platform that enables clients to create targeted ad campaigns. Sales from Illumin rose by 42% sequentially, accounting for 27% of total revenue.

Analysts expect sales to touch $121.66 million in 2021 and grow by 21.3% to $147.6 million in 2022. AcuityAds stock is trading at a price to sales multiple of less than 2 and a price to earnings ratio of 32.3.

According to Bay Street's average price target estimates, AcuityAds stock is poised to double in the next 12 months.

CATEGORY

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TICKERS GLOBAL

1. CNSX:CL (Cresco Labs Inc.)
2. NASDAQ:ROKU (Roku)
3. OTC:ILLM.F (Illumin)
4. TSX:ILLM (AcuityAds)

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