2 Undervalued Growth Stocks to Buy in 2022

Description

Growth stocks are massively out of favour in 2022. Many of the tech stocks that got bid up to unprecedented highs amid the COVID-19 pandemic started falling last year, with the selloff continuing into 2022. Most likely, this situation will continue for at least a few more months. Not only did many growth stocks reach unreasonable highs last year, but central banks are raising interest rates this year to boot. For the most overvalued growth names out there, the pain will continue.

But there are some growth stocks out there that are starting to look pretty cheap. Particularly if you look at *non-tech* growth stocks, you'll find some bargains. While the selloff in tech stocks is likely to continue, some other growth sectors are being unjustifiably beaten down. In this article, I will explore two growth stocks that could rise after being beaten down in 2021/2022.

Alimentation Couche-Tard

Alimentation Couche-Tard (TSX:ATD) is a retail stock that started off 2022 on a down note. It began falling in August of last year, before recovering, then falling again to at the start of this year. It's currently down 1.76% from its August high. That might not sound like much of a "beat down," but the stock is extremely cheap relative to earnings, with a mere 17 P/E ratio.

Gas station chains like Alimentation Couche-Tard might not be the first thing that comes to mind when you think of growth stocks. But going by past performance, ATD is indeed a growth stock, having risen 1,480% in just 12 years.

What has powered all that growth? Mainly, a smart acquisition strategy.

ATD spent much of the 2000s and 2010s buying up gas station chains and growing them. For example, it acquired its now famous Circle K chain in 2003 for US$803 million. Since then, it has grown the U.S. chain, expanding it into Canada. The company also owns a number of chains in the E.U.

As a gas station company, ATD makes more money the higher the price of oil goes. Oil prices are quite strong early in 2022 and could go even higher after the COVID-19 pandemic finally ends. So, this is one growth stock that's quite cheap and could benefit from current economic trends.

Alibaba

Alibaba Group Holding (NYSE:BABA) is a dirt-cheap Chinese growth stock. It trades at just 14 times earnings, 2.8 times sales, and 2.1 times book value, despite having 39% revenue growth for the trailing 12-month period.

Alibaba had a rough time in 2021, without a doubt. Last year, the company took a $2.8 billion fine, had to end its "choose one of two" policy, and saw its tax rate double. This was all thanks to a crackdown by the Chinese Communist Party, which launched a sweeping series of reforms on China's internet giants. All major Chinese internet companies got hit hard, but BABA got hit harder than most, with its $2.8 billion fine being the largest penalty of its kind in Chinese history.

All of that damage took a bite out of BABA, whose stock fell nearly 50% in 2021. But the company's revenue growth is still extremely strong, which means that it could get back to growth in 2022 and begin to absorb the costs it took last year.

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Date
2025/08/25
Date Created

2022/01/18
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