



Top 2 Beaten-Down Stocks for 2022

Description

2022 is the year of the stock picker. There's plenty of volatility and pessimism to create unique opportunities for investors. With some sectors of the economy severely beaten down by macroeconomic events, this could be an ideal time to make a long-term bet.

Here are the top two beaten-down stocks I'm watching for 2022.

Software stock

No other sector has suffered as much as the enterprise technology segment in recent months. Several software companies have lost half of their value; some, even more.

While the overall sector was undoubtedly overvalued, some stocks have dipped too far. **Topicus.com** ([TSXV:TOI](#)) is a prime example of this. The software conglomerate more than doubled in value last year, shortly after its listing. However, the company has lost 35% of its value since late October.

Topicus is now trading at \$90 per share. The company generated \$121.7 million in free cash flow (FCF) last year. In 2022, it could be on track for a significant bump in cash flows, as recent acquisitions are completed. Assuming free cash flow of \$150 million in 2022, Topicus stock is currently trading at a forward price-to-FCF ratio of 47.5. That's fair value for a reliable growth stock like this.

Keep an eye on this beaten-down future tech star.

Telecommunications stock

Cogeco Communications ([TSX:CCA](#)) has taken a significant beating recently. The stock has tanked by more than 15% from its 52-week highs. Amid the steep pullback, it still remains an exciting pick for anyone looking to gain exposure in the telecom space and accrue some passive income on the side.

Cogeco Communication has grown itself through [acquisitions](#) and organic growth over the years. It

currently operates in the Canadian and American broadband segments. The company is an ideal investment play for any investor who believes cable will remain strong in the future. The company has succeeded in innovating and retaining more customers than was expected.

The Montreal-based company delivered solid fiscal first-quarter results. The report confirmed profits attributable to shareholders of \$106.8 million, or \$2.27 per diluted share, a slight improvement from \$106.7 million, or \$2.22 per share, delivered the same quarter last year. Revenue in the quarter was up 16.1% year over year to \$718.5 million.

Cogeco Communications is an exciting play in the telecom space going by a dividend yield of 2.7%, which is ideal for anyone looking to generate some passive income. Despite the solid financial results, the stock has pulled back significantly and appears to be trading at a discount.

A price-to-earnings multiple of 11 is quite low for a company of Cogeco Communications caliber. As it stands, the stock appears to be trading at a discount compared to its peers. Following the steep pullback, the prospects of the stock reverting to its industry mean is relatively high. Keep an eye on it.

Bottom line

The recent dip in the stock market could be the ideal opportunity for long-term investors. Beaten-down stocks like Topicus and Cogeco should be on your watchlist.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:CCA (COGECO CABLE INC)
2. TSXV:TOI (Topicus.Com Inc.)

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Author

vraisinghani

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