



2 Growth Stocks Down 48-64% That Are Screaming Buys

Description

The last six months have been unkind to investors with exposure to [growth stocks](#). The **Nasdaq Composite** index has entered bear market territory, and there are several stocks trading near multi-year lows. While most of these companies are fundamentally strong, investors are wary about the steep valuations surrounding these growth stocks.

goeasy ([TSX:GSY](#)) and **Magnet Forensics** ([TSX:MAGT](#)) are two such TSX stocks that are under the pump in 2022. While shares of goeasy are down 48% from all-time highs, Magnet Forensics has seen its [market cap](#) slide by 64%. However, the selloff provides investors an opportunity to buy the dip.

The bull case for Magnet Forensics

Valued at a market cap of \$966 million, Magnet Forensics [develops data analytics software](#) used by enterprises for digital forensics investigations. In Q4 of 2021, the company reported revenue of US\$21.4 million, an increase of 37% year over year. Its sales for 2021 also surged by 37% to US\$70.3 million.

Magnet Forensics [ended 2021](#) with a healthy gross margin of 93%. While adjusted EBITDA fell by 19% to US\$4.7 million in Q4, it soared by 21% to US\$18.6 million in 2021. We can see that Magnet continues to sacrifice profitability for growth, allowing it to grow its top line at a stellar pace.

The company also ended 2021, with annual recurring revenue or ARR of US\$61.3 million, an increase of 48% year over year. Magnet attributed the growth in ARR to customer acquisition and expansion of its product portfolio for existing customers.

According to Magnet Forensics, digital crimes and cyberattacks continue to grow rapidly. Its suite of digital investigation solutions enables customers to uncover critical digital evidence in an effective manner, allowing them to solve crimes and close the relevant threat vectors.

Analysts tracking the stock expect sales to rise by 31.8% to \$118 million in 2022 and by 28.4% to \$151 million in 2023. Its adjusted earnings per share are also forecast to rise at an annual rate of 20% in the

next two years.

We can see MAGT stock is valued at 8.2 times forward sales and 102 times forward earnings, which is still expensive. However, analysts expect Magnet Forensics shares to gain over 90% in the next 12 months.

The bull case for goeasy

One of the most undervalued growth stocks on the TSX, goeasy is valued at a market cap of \$1.85 billion. The company provides non-prime leasing and lending services to Canadians.

Its easyfinancial business offers personal, home equity as well as auto loans, in addition to point-of-sale and small business financing. Additionally, easyhome leases furniture, appliances, and electronics, among others to its base of customers.

goeasy has increased sales from \$506 million in 2018 to \$826.7 million in 2021. Comparatively, its adjusted earnings grew at an annual rate of 31.5% in the next five years. Analysts expect the company to report sales of \$987 million in 2022 and \$1.12 billion in 2023.

GSY stock is valued at a forward price-to-sales multiple of less than two and a price-to-earnings ratio of 9.6, which is very attractive.

goeasy also offers investors a forward yield of 3%, making it a solid bet for income, value, and growth investors. Similar to Magnet Forensics, GSY stock is also trading 94% below consensus price target estimates.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

1. TSX:GSY (goeasy Ltd.)
2. TSX:MAGT (Magnet Forensics)

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