Market Selloff: 2 Beaten-Down Growth Stocks to Buy in May

Description

The first four months of 2022 have been extremely brutal for equity investors with exposure to growth stocks. Market participants were initially worried about the steep valuations surrounding growth stocks, which triggered the initial selloff in Q4 of 2021. Thereafter, the threat of multiple interest rate hikes as well as rising inflation numbers and supply chain disruptions have impacted the stock market.

Yes, there is a possibility for growth stocks to move lower given that GDP growth and consumer spending will be hit by a range of macro-economic factors. However, the selloff also provides investors a chance to buy quality stocks at lower multiples.

Let's see why these two beaten-down growth stocks should be part of your shopping list today.

Aritzia

Valued at $5 billion by market cap, **Aritzia** (TSX:ATZ) designs and sells apparel as well as accessories for women in North America. The company's sales were impacted amid the pandemic due to lockdown restrictions and the closure of retail stores. Aritzia reported revenue of $874 million in fiscal 2019 and $980 million in fiscal 2020 (ended in February). However, in fiscal 2021, its sales fell to $857 million.

Analysts tracking the stock expect company sales to rise by 68.7% year over year to $1.45 billion in fiscal 2022 and by 17.2% to $1.7 billion in fiscal 2023. Further, its adjusted earnings per share are also forecast to grow from $0.23 in 2021 to $1.65 in fiscal 2023.

Right now, Aritzia stock is valued at a forward price-to-2023-sales multiple of three and a price-to-earnings multiple of 27.6, which is quite attractive for a growth stock.

Analysts tracking ATZ stock expect shares to gain around 35% in the next 12 months.

Green Thumb Industries

Green Thumb Industries (CNSX:GTII) is one of the largest cannabis companies in the world. In the last year, Green Thumb investors have lost 55%, allowing you to buy the dip. Green Thumb has 76 retail stores across 15 states south of the border, allowing it to increase revenue by 60.5% year over year to US$894 million in 2021. Due to the widespread legalization of cannabis in several U.S. states, Green Thumb opened 22 new stores last year.

While most Canadian marijuana producers are wrestling with negative profit margins and high cash-burn rates, Green Thumb's profit margin stands at 8.4%. In the last three years, Green Thumb's expenses have declined consistently as a percentage of annual revenue due to improvements in its cost structure and benefits arising from economies of scale.

Similar to most other cannabis producers, Green Thumb is expanding its product portfolio and focusing on high-margin products such as cannabis-infused beverages and edibles. The company is well poised to gain traction if marijuana is legalized in the U.S., which will also be a key driver of revenue growth.

Valued at US$3.2 billion by market cap, analysts expect Green Thumb sales to rise by 19% to US$1.06 billion in 2022 and by 22.5% to US$1.3 billion in 2023. Comparatively, its adjusted earnings per share are forecast to rise from US$0.34 in 2021 to US$0.38 in 2022 and US$0.59 in 2023.

We can see Green Thumb is valued at a forward price-to-2022-sales multiple of three and a price-to-earnings ratio of 36.

Wall Street expects Green Thumb stock to more than double in the next 12 months.

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