ALERT! 3 Cheap Growth Stocks to Buy in This Pullback

Description

The **S&P/TSX Composite Index** suffered its third consecutive loss of the week, as markets wound to a close on May 11. Investors should look on past market corrections for tips on how to navigate the current environment. Indeed, the March 2020 pullback presented fantastic opportunities to snatch up top Canadian equities at a discount. Today, I want to look at three growth stocks that have fallen well into undervalued territory. Let's jump in.

This top growth stock is a new star in the financial space

Back in March, I'd suggested that millennial investors should look to snatch up **goeasy** (TSX:GSY) at a discount. It has corrected further as we approach the middle of May. Shares of this growth stock have plunged 40% in 2022. That has pushed the stock into negative territory in the year-over-year period.

goeasy unveiled its first-quarter 2022 earnings on May 11. The company delivered record results, as loan originations shot up 75% year over year to $477 million. Meanwhile, it delivered loan growth of 307% to $124 million. Adjusted income increased 25% to $45.8 million and adjusted diluted earnings per share jumped 16% to $2.72. Investors should be encouraged by goeasy's fantastic first-quarter report.

This growth stock currently possesses a very favourable price-to-earnings (P/E) ratio of 7.2. Better yet, it offers a quarterly dividend of $0.91 per share. That represents a 3.4% yield.

Here's a discounted stock that also offers a little income

Sleep Country Canada (TSX:ZZZ) is a Toronto-based company that is engaged in retailing mattresses and bedding-related products in Canada. Its shares have plunged 30% in the year-to-date period. This has pushed Sleep Country into the red compared to the same time in 2021.

This company released its first batch of 2022 results on May 4. Like goeasy, Sleep Country posted record results in the face of a challenging economic environment. Revenues rose 13% from the prior year to $24.0 million. Meanwhile, operating EBITDA jumped 48% to $46.7 million. Sleep Country continued to strengthen its digital footprint as it posted e-commerce sales growth of 20%. Moreover, adjusted net income soared 116% to $20.8 million in the first quarter of 2022.

Shares of this growth stock last had an attractive P/E ratio of 9.9. Its board of directors declared a quarterly dividend increase of 10% to $0.215 per share. This represents a 3.2% yield.

One more cheap growth stock that investors will recognize

Scotiabank (TSX:BNS)(NYSE:BNS) is the third undervalued growth stock I'd suggest investors snatch up in the middle of May. Bank stocks tend to fall in more balanced categories, but its potential capital growth is too good to pass up after suffering a dip in the spring. Scotiabank stock has dropped 11% so far in 2022.

This top Canadian bank is set to release its second-quarter 2022 earnings on May 25. In Q1 2022, the bank delivered adjusted net earnings of $2.75 billion, or $2.15 per diluted share — up from $2.41 billion, or $1.88 per diluted share, in the previous year. Shares of Scotiabank possess a favourable P/E ratio of 10. Better yet, it offers a quarterly dividend of $1.00 per share. That represents a very solid 4.9% yield.

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