2 Battered Stocks That Have Dropped Way Too Low

Description

Market downturns are devastating for most stock market investors who see the value of their investments decline. However, savvy Canadian investors look at market environments like these as an opportunity to purchase high-quality stocks at considerable discounts. The **S&P/TSX Composite Index** is down by 14.33% from its 52-week high at writing.

The broader pullback due to fears of a recession has led to many investors offloading their holdings in good companies with strong balance sheets. The decline in valuations might be justified for many TSX stocks. However, some high-quality companies have been oversold amid the panic, making them ideal undervalued stocks for value-seeking investors to buy and hold.

Value investing is all about identifying companies with substantial growth potential but trading for less than what they could be worth. A company trading for a significant discount does not necessarily become an undervalued stock. The underlying business needs to be reliable and possess the potential to deliver strong returns through recovering when the market settles.

Today, I will discuss two Canadian stocks that could arguably be excellent assets for value-seeking investors to consider in their search for undervalued stocks.

goeasy

goeasy (TSX:GSY) is a $1.55 billion market capitalization alternative financial company headquartered in Mississauga. The company engages in providing loans to subprime borrowers who cannot qualify for loans through traditional lenders. As the recession continues to erode purchasing power, consumers will be likelier to take out loans to get by, increasing the demand for its services.

goeasy stock trades for $98.61 per share at writing, and it boasts a 3.69% dividend yield. It is down by almost 55% from its 52-week high, making it a highly attractive investment to consider. The company's financial performance has been great in recent quarters. Rising interest rates could increase the risk of loan default.

However, the company managed to pull through the 2009 economic crisis, and it is better equipped to manage its risks in the current environment. It might entail a slightly higher degree of capital risk but could be worth adding to your portfolio at current levels.

Magna International

Magna International (TSX:MG)(NYSE:MGA) is a $20.58 billion market capitalization Canadian auto parts manufacturer and automaker. The company's performance on the stock market has declined due to the supply issues created by macroeconomic factors. However, Magna International has been playing a pivotal role in catalyzing the electric vehicle (EV) revolution by producing the necessary components.

Magna International stock trades for $70.45 per share at writing, and it boasts a 3.33% dividend yield. It is down by 15.7% from its 52-week high. Despite the pullback, Magna International stock has $2 billion in cash reserves to maintain its liquidity and invest in recovering from the challenging market environment. It could be a good addition to your investment portfolio for long-term gains.

Foolish takeaway

Value investing does not necessarily mean considering the current stock price and sales volumes. Rather, you have to consider the future earnings potential for the company and whether it looks well positioned to deliver on the potential.

goeasy stock and Magna International stock are two assets poised to boast substantial growth in the coming years. Investing in the shares of the two companies at current levels could set you up for substantial long-term wealth growth.

A recovery to previous all-time highs and potentially market-beating growth in the coming years appears possible for both companies. It could be an ideal time to invest in shares of the two undervalued TSX stocks today.

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2. Investing

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