Canadian Value Investors: 2 Ridiculously Cheap U.S. Stocks to Buy Right Now

Description

After falling off a cliff in the first half of 2022, the **Nasdaq Composite** index has staged a comeback in the last month. The tech-heavy index has gained close to 20% from 52-week lows and is on the cusp of entering a new bull market. As the Nasdaq Composite is still down 19% from record highs, several stocks continue to trade at a discount.

I have identified two extremely undervalued U.S. stocks that Canadian value investors can buy right now.

Crocs

Valued at a market cap of US$4.5 billion, footwear retail company **Crocs** (NASDAQ:CROX) is forecast to increase sales by 50% to US$3.47 billion in 2022. Its also trading at seven times forward earnings, which is quite reasonable, given analysts forecast adjusted net income to rise by 10% annually in the next five years.

Shares of Crocs are trading 60% below all-time highs. Despite the ongoing pullback, the stock has returned 329% to investors in the last decade, easily outpacing the S&P 500 in this period.

In the June quarter, Crocs increased revenue by 50.5% year over year to US$964.6 million. Its sales rose by 14.3% after excluding the acquisition of HeyDude. Further, Crocs CEO Andrew Rees expects HeyDude to add US$1 billion in pro forma revenues in 2022.

Crocs has successfully managed to increase its operating margin from 2.1% in 2017 to 29.5% in 2021. Even though a strong U.S. dollar is a near-term headwind for the company, Crocs ended the second quarter (Q2) with an operating margin of 29.3%.

CROX stock fell over 10% following its Q2 results. Its management team forecasts sales to grow between 10% and 13% in 2022 compared to its earlier guidance of top-line growth of 20% threemonths back. The company's operating margin is also expected to shrink to 26.5% this year due torising costs and the acquisition of HeyDude.

Crocs is betting big on Asia and aims to gain traction in China, which is the second-largest footwear market globally. While the current environment remains challenging for Crocs, it is forecast to report sales of US$6 billion and a free cash flow of US$1 billion by 2026.

Enterprise Product Partners

Another undervalued stock south of the border, **Enterprise Product Partners** (NYSE:EPD), has increased dividend distributions 74 times since it went public in 1998. It has raised dividends for 24 consecutive years and offers investors a forward yield of 7%.

Enterprise Product Partners is a midstream energy company and derives a majority of its cash flows via long-term, fixed-fee contracts, making it relatively immune to fluctuations in commodity prices. But Enterprise Product Partners will be impacted by the demand for oil.

In the second quarter, volumes were higher in five of EPD's seven business lines year over year, allowing it to increase distributable cash flows by 30% to $2 billion.

The company pays investors annual dividends of $1.90 per share and is forecast to end the year with adjusted earnings of $2.51 per share, indicating its payout is sustainable.

Enterprise Product Partners has a pipeline of projects worth $5.5 billion, which should expand its base of cash-generating assets and drive cash flows higher in the future.

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2. NYSE:EPD (Enterprise Products Partners L.P.)

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