1 Undervalued Growth Stock That's Perfect to Buy This September

Description

Allocating money to growth stocks may not seem like the ideal approach to investing amid the current market volatility. As of this writing, the **S&P/TSX Composite Index** is down by 13.82% from its 52-week high. The Canadian benchmark index started showing signs of life in mid-July but has started declining again since mid-August.

One of the few good things about market downturns is the opportunity for value-seeking investors to invest in stocks at discounted prices. Equity securities across the board are trading below all-time highs, making it possible for you to invest in high-quality stocks at considerable discounts. However, not all stocks trading at lower prices qualify as undervalued stocks.

You should consider investing in companies with growing addressable markets, strong fundamentals, and the demonstrated ability to deliver long-term growth. Today, I will discuss one such stock you should consider adding to your portfolio this September.

Pet Valu Holdings

Pet Valu Holdings Ltd. (TSX:PET) might seem like an unusual stock to classify as an undervalued growth stock. The $2.41 billion market capitalization company is headquartered in Markham Ontario, and is the largest retailer of pet food and pet-related supplies in the country. Pet Valu has more than 600 locations across Canada, offering over 7,000 products across various brands that cater to pet owners.

It's no secret that people love their pets, and Pet Valu has established itself as a market leader in a growing market. The company plans to grow its number of locations to 1,200 and drive higher sales through the adoption of digital channels. By modernizing its systems, Pet Valu can set itself up to improve its profit margins and achieve those goals.

Recent performance

The company looks set to achieve its expansion goals. In its most recent quarter, Pet Valu Holdings opened 13 new locations, and grew its year-over-year sales by 25%, hitting the $228 million mark. The company's same-store sales rose in the quarter, and its EBITDA (earnings before interest, taxes, depreciation, and amortization) soared by 23%.

Pet Valu expects to open 45 new stores by the end of the year. Investing in new locations will be expensive for the company. However, it can potentially mitigate costs by increasing its same-store and overall sales volumes across store locations.

Furthermore, the company's efforts to increase efficiency by optimizing its omnichannel process will likely set it up for strong growth. Pet Valu also enjoys substantial customer retention because of an excellent loyalty program that makes it a top choice for pet-related products among consumers.

Foolish takeaway

As of this writing, Pet Valu stock trades for $33.91 per share, and it's up by 2.42% year-to-date. It has outperformed the broader market by a significant margin — an incredible feat considering the volatility that has plagued the Canadian stock markets this year.

The company forecasts its same-store sales to grow by 13% to 15%, and its revenue to grow from $912 million to $928 million. Analysts have provided a 12-month price target of $42.5 for Pet Valu stock, representing an almost 30% upside to its current levels. This could be an ideal time to consider investing.

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