Alert: Some Growth Stocks Are on Unbelievable Discount

Description

Growth stocks are clearly unfashionable right now. Investors are seeking safe and secure investment options, as inflation and a potential recession loom overhead. It's easy to see why investors are pivoting to term deposits and Guaranteed Investment Certificates (GICs).

Why risk losing money in a falling stock market when you can lock in 4.5% interest rates for several years?

Well, I believe this is the perfect opportunity for a contrarian investor. Growth stocks are beaten down, which means their future returns are potentially higher. When or if the economy normalizes, these stocks should regain their lofty valuations. If not, they'll simply grow revenue and earnings enough to justify the risk.

With that in mind, here are the top two undervalued growth stocks I'm betting on right now.

Space tech

Space tech giant **MDA** (TSX:MDA) secured an interesting contract this year. Earlier this year, the team secured a deal to manufacture 17 new satellites for a telecommunications company that was hired by a mystery client. That mystery client was recently revealed to be **Apple**.

MDA's satellites will power the Apple iPhone 14's Emergency SOS via satellite feature. The contract delivers hundreds of millions in annual revenue for the next few years. It's another indication that the commercial space industry is nearing full maturity.

MDA's backlog of orders surged to $829 million recently. The company expects to generate $750-$800 million in revenue and $140-$160 million in adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) for 2022. Meanwhile, MDA's market value is just $937 million.

That means this growth stock is trading at 1.2 times revenue and 5.9 times EBITDA. That's a bargain for a company expanding at 30% on a quarterly basis. Don't miss this overlooked growth opportunity.

Health tech

WELL Health Technologies (TSX:WELL) is yet another unfashionable stock. It's down 34% year to date, as investors pivoted away from "pandemic beneficiaries." However, WELL Health is so much more than a pandemic growth stock.

The company's telehealth and online pharmacy services continue to grow. Meanwhile, its expansion into the United States continues at a relentless pace. Sales were up 127% year over year in the most recent quarter.

WELL Health expects to deliver $550 million in full-year revenue and $100 million in adjusted EBITDA for 2022. While the company's market value has dropped to $757 million. Put another way, WELL Health stock is trading at a price-to-revenue ratio of 1.4 and a price-to-EBITDA ratio of 7.6. That's deeply unjustified for a company growing at triple digits.

In fact, the company has even implemented a buyback program to take advantage of its undervaluation . Don't miss this opportunity before the market sentiment shifts.

Bottom line

Investors are worried about inflation and recession, so they're seeking safe havens. But this is the right time to take a risk and bet on growth stocks. These stocks are on discount right now and will eventually deliver market-beating and inflation-beating returns. Good luck!

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