3 Stocks I Own and Will Buy More of if They Fall

Description

The stock market has had a rough year. The **S&P/TSX Composite Index** is down 13.8% year to date. Some investors are worried that stocks could drop further, as interest rates soar in the months ahead. Considering what's happening in other parts of the world (Europe and the U.K.), this fear seems justified.

However, times like these are precisely the best buying opportunities for long-term investors. Valuations have been pushed down, which means high-calibre companies are now on discount. With that in mind, here are the three stocks that are already in my portfolio and that I would accumulate more of if prices continue to decline.

Constellation Software

Enterprise software conglomerate **Constellation Software** (TSX:CSU) is well prepared for such downturns. The company's growth model is based on its acquisition strategy. Over the past 30 years, it has snapped up over 300 small- and mid-sized software companies to expand its earnings power. This year, the downturn has created lucrative opportunities for the Constellation team.

In the first half of 2022, Constellation deployed over $1 billion in acquisitions. That's more than it did in all of 2021. This record-breaking spending spree is expected to continue. Constellation could see attractive price tags on its targets for several months ahead. When these new acquisitions are fully integrated, the company's free cash flow should surge.

At the moment, Constellation Software stock is trading at roughly 26 times free cash flow per share. That's close to its long-term average of 21. If the price drops to that range, I could accumulate more.

MDA

While the global economy is struggling, the space economy is thriving. The National Aeronautics and Space Administration (NASA) successfully moved an asteroid for the first time this week. It could also be days away from the launch of Artemis I — its moon mission.

Canadian space tech company **MDA** (TSX:MDA) is part of that mission, as it helps build the robotic appendage called Canadarm3. MDA is also building satellites that will enable the latest iPhone 14's Emergency SOS feature.

Put simply, the nascent space tech sector is in the midst of a growth spurt. That's why MDA's backlog of orders has surged to $1.52 billion, up 138% from the previous year. The company now expects total revenue of $630-$650 million this year. Meanwhile, its market capitalization is $917 million, which implies a price-to-sales ratio of 1.4.

MDA is an undervalued stock in a thriving industry that is disconnected from the rest of the economy. That's why I hold it and will buy more if the price drops further.

WELL Health

I've held **WELL Health Technologies** (TSX:WELL) since the pandemic erupted in 2020. This year, the stock price is down 39.5%. However, sales and net earnings have soared, which means the stock is cheaper than ever before.

WELL Health's growth remains intact, despite the market downturn. This year, revenue was up 127%. For the full year, the company expects revenue to exceed $550 million, while adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) is expected to be $100 million. That means the stock is trading at 1.29 times revenue and 7.1 times EBITDA.

It's a cheap growth stock that I will buy more of if it gets cheaper.

CATEGORY

1. Investing

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1. TSX:CSU (Constellation Software Inc.)
2. TSX:MDA (MDA Ltd.)
3. TSX:WELL (WELL Health Technologies Corp.)

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1. Investing

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