



Rebound Rockets: 2 Beaten-Down Stocks You'll Be Happy You Own in 2027

Description

Market dips are painful when they occur, and they may sometimes induce panic selling. However, such fearful times have often presented the best entry points for long-term-oriented investors. Two beaten-down stocks, namely **Magna International** ([TSX:MG](#))([NYSE:MGA](#)) and **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) could be repriced higher over the next five years to 2027. Here's why you may wish to buy them now.

Magna International

Magna International is an automotive supplier and a highly trusted contractor to both the legacy car industry and the burgeoning [electric vehicle](#) (EV) industry. Magna stock price has plunged 47% off its 2021 highs as supply chain challenges, and a disruptive war in Europe affected its production and cash flow. However, such challenges should be temporary.

The auto manufacturing industry is usually susceptible to economic recessions. Deteriorating macroeconomic conditions, especially in a war-stricken Europe concern investors in 2022. Such negative issues are already priced into Magna stock today, but they may weigh down the market's sentiment for the remainder of the year.

That said, recessions are natural economic phenomena, and Magna has successfully navigated all of them since it became a publicly traded stock in 1962.

The company is making significant investments in EV powertrains. It recently partnered with LG Electronics in building a new production plant in Mexico. Innovation remains a core tenet at Magna, and the company will remain relevant to the motoring industry, even as it targets autonomous driving.

Now that recessions are usually short-lived, and supply chain crises won't last much longer, consumer demand will bounce back. Magna stock price should recover, as the global economy peaks up growth pace within the coming five years to 2027.

Magna stock is currently severely [undervalued](#). Shares spot a low forward price-to-earnings (P/E)

multiple of 7.1. Wall Street analysts project a five-year solid earnings-growth rate of 39.6% per annum for Magna. Shares have a low P/E-to-growth (PEG) ratio of just 0.3, which is far below one. According to value investing guru Peter Lynch, PEG ratios less than one indicate an undervalued stock relative to its potential earnings growth.

Investors buying MG stock today may receive dividends that currently yield 3.3% annually. They will get rewarded for their patience even more once bullish sentiment returns to the global stock market.

Now that markets are forward looking, bulls are most likely to return and push Magna stock higher well before 2027.

Shopify stock may rebound strongly before 2027

Canadian commerce software giant Shopify stock is down by about 78% during the past 12 months. Once a high-flying tech stock that threatened to dethrone **Royal Bank of Canada** as the largest TSX stock by market capitalization, SHOP stock has fallen far from grace in 2022. However, shares could recover and outperform the market over the next half decade to 2027.

Shopify's biggest mistake has been costly, but it's an error the company can recover from. Management wrongly extrapolated the surge in online shopping activity during lockdowns in 2020. The company believed the pandemic was a catalyst for a sustained global migration from physical retail stores to online shopping. It made capital allocations based on that belief and overshot the runway.

Although e-commerce activity is still growing, activity in 2022 is normalizing back near pre-pandemic levels. Shopify has plunged into operating losses.

Encouragingly, the business is rightsizing its operating expenses. It laid off 10% of its workforce in July and will continue to rationalize costs going forward. Judgment errors did happen. However, Shopify is remedying the situation with a view to bouncing back to profitability.

Shopify stock price may recover most of its valuation well before 2027. Its revenue is still growing, as evidenced by a 16% year-over-year growth in second-quarter 2022 sales to US\$1.3 billion. The company recently expanded its offerings to include offline retail solutions. Its merchant portfolio is generating strong gross merchandise volume (GMV) growth and boosting segment sales for the company, and investments in a fulfillment network will help keep business in-house.

The business has the potential to return to positive free cash flow generation well before 2027, and Shopify stock will be worth much more than investors are willing to pay for shares today.

CATEGORY

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2. NYSE:SHOP (Shopify Inc.)
3. TSX:MG (Magna International Inc.)
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Date

2025/08/24

Date Created

2022/09/29

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