3 Beaten-Down Stocks That Could Become Multi-Baggers

Description

The increase in macro headwinds (high inflation and rising interest rate), supply constraints, and Russia's invasion of Ukraine took a massive toll on the equity market. Further, the economic uncertainty continues to limit the recovery in stocks.

While most market participants liquidated their holdings amid fear of a recession, it's time to take a long-term view and add a few high-quality stocks at attractive valuations and prices significantly below their highs.

With a positive long-term view of the market, let's zoom in on three beaten-down stocks that could become multi-baggers.

Shopify

Shopify (TSX:SHOP)(NYSE:SHOP) stock erased most of its gains (down about 78% year to date), erasing a significant portion of its shareholders' wealth. While shares of this e-commerce platform provider have slumped amid a slowdown in demand and tough comparisons, its fundamentals remain strong, implying Shopify stock could bounce back sharply and generate multi-fold returns, as the economic environment improves.

This tech stock is poised to gain from the structural shift in selling models. Meanwhile, its continued investments in fulfillment and POS (point of sale) provide a solid platform for long-term growth and boost its financials, as the demand for e-commerce regains pace.

Shopify is expanding its products into geographies and adding more marketing and sales channels by partnering with social media companies, which will drive its merchant base and support its growth. Further, increased adoption of its payments and capital offerings augur well for growth.

While its fundamentals remain strong, its stock is trading at an enterprise value-to-sales multiple of 4.9, which is near its all-time low. This decline presents a buying opportunity for investors with a long-term outlook.

Nuvei

Down about 78% from its 52-week high, shares of payment tech company **Nuvei** (TSX:NVEI)(NASDAQ:NVEI) should be on your radar to outperform the TSX in the long term and generate stellar returns.

Given the massive decline in its price, Nuvei stock is trading at a forward enterprise value-to-sales multiple of 4.2, which is at an all-time low. While Nuvei stock is trading cheap, its business continues to grow at a decent pace. Further, management is confident in delivering over 30% annual revenue growth in the medium term, which is positive.

Looking ahead, the recovery in e-commerce demand, its growing base of alternative payment methods, and investments in product innovation will support its financials and stock price. Further, entry into new geographies and verticals bode well for growth.

goeasy

Financial services company **goeasy** (TSX:GSY) is the final stock on this list. Its double-digit sales and earnings growth (its top and bottom line increased at a CAGR of 16% and 29%, respectively, in the past decade) and strong dividend payments position it to deliver solid returns in the coming years.

Despite the weak macro environment, goeasy's business continues to deliver record growth. During the last quarter, goeasy's loan originations jumped 66%. Further, its loan portfolio registered an organic growth of 191%. What stands out is that credit quality remained stable while its bottom line continued to increase at a double-digit rate.

Its expanded product offerings, strong demand, and the large addressable market will likely support its growth. Meanwhile, its solid earnings base will support higher dividend payouts in the coming years.

CATEGORY

1. Investing
2. Tech Stocks

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