



3 Growth Stocks Down 25% to 75% to Buy Now

Description

In 2022, many [growth stocks](#) are down 25% to 75% for the year. Thanks to rising interest rates and a string of disappointing earnings releases, growth is in the gutter. At the all-time lows for the year, the tech-heavy **NASDAQ** was down 33%, while the **S&P 500** (which includes a wider variety of stocks) was down only 26%.

Tech and growth are thought of as synonymous. However, though they overlap, there's a conceptual difference between the two. Growth stocks are those that are anticipated to grow at a rate significantly above the average growth for the market, and they can be found in various sectors, not just technology. Having said that, most oversold growth opportunities today are in fact technology stocks. Let's explore three growth stocks down 25% to 75% that I would personally buy right now.

Shopify

Shopify ([TSX:SHOP](#))([NYSE:SHOP](#)) is a [technology stock](#) that I owned in the past. I don't own it now, but I'd buy it at today's prices if I weren't more interested in other opportunities. I bought Shopify after it had fallen around 40% and I sold it a week later when I decided that it was still overvalued. At its peak, Shopify was so expensive that it could fall 50% in price and still be expensive. Things are different today.

At today's prices, Shopify trades at:

- Seven times sales.
- Four times book value.
- 235 times operating cash flow.

Apart from the rather high operating cash flow, these are pretty typical valuation metrics for tech stocks—including mature tech stocks that aren't growing anywhere near as fast as Shopify. In its most recent quarter, Shopify [grew its sales by 16%](#). In the same quarter, many big tech stocks delivered 0% growth. So, Shopify's valuation has come down a lot and it's still growing relatively quickly. There's a good chance that this stock will reward investors in the future.

Alphabet

Alphabet Inc. ([NASDAQ:GOOGL](#)), better known as "Google," is a big U.S. tech stock that I bought on the dip this year. Today, it's the single largest position in my portfolio.

Google is doing pretty well this year despite the economic downturn. In its most recent quarter, it grew its revenue by 13% compared to the same quarter a year before. The earnings growth was negative, largely due to some losses related to the company's investments, but cash and operating income grew in the period.

Alphabet has a slew of competitive advantages that few companies can match. Its search engine has an 80% share of the search market. According to CEO of Alphabet and Google, Sundar Pichai, second quarter performance was driven by search and cloud. YouTube is the biggest player in long form video, and Android is the most popular smartphone operating system in the world by user count (second by app download revenue). Overall, Alphabet is a robust company with a strong competitive position, that just so happens to be on sale this year.

Meta Platforms

Meta Platforms ([NASDAQ:META](#)) is another beaten down ad-tech stock like Google. In this case, the selloff that's occurred is a little more justified. Meta's revenue growth was negative in the second quarter, and its earnings declined 36%. Most tech companies are going through issues this year, but Meta is getting hit harder than most.

Much of the pessimism around Meta stock is stemming from disappointing guidance in which management expects Q3 revenue to range between \$26 billion and \$28.5 billion, whereas analysts were expecting revenue of \$30.52 billion.

With that said, the company has a lot of potential, not the least of which is the fact that Facebook potentially features permanent consumer demand. Meta has over three billion users across all of its apps and has some of the highest gross margins (gross profit divided by revenue) in the tech sector. It's also making investments into virtual reality that look like a bit of a gamble right now but could pay off over a period of time. If you have an appetite for risk, Meta may be a long hold buy to consider.

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