AcuityAds Stock Fell 10% in October: Is it Time to Buy?

Description

October brought some much-needed relief to financial markets after a year where many stocks lost tonnes of value in the volatile environment. Surging inflation and rapidly rising interest rates have combined to create one of the most challenging investing environments in years. **AcuityAds** (TSX:AT) stock, for example, is down 57% this year and more than 60% over the last 12 months.

In October, though, we finally began to get some positive economic data in North America, which is why stocks performed much better over the last month.

In fact, the TSX actually posted impressive results, gaining over 5% in just one month. That's a significant gain, Annualized, that would be a return of more than 86%. Even south of the border, there was a strong rebound in stocks, with all the major averages posting gains in October.

However, despite a slight rebound from stocks in the month and early signs that interest rates could be peaking, not every stock gained value.

In fact, AcuityAds, which has been one of the cheapest stocks in Canada over the last year, continued to lose value, shedding another 10%. So, with the micro-cap AdTech stock now trading unbelievably cheap after its selloff, is now the time to buy?

Just how cheap is AcuityAds stock?

Although AcuityAds has faced some significant headwinds over the last few years, the cheaper it gets, the harder it becomes to ignore. So, with AcuityAds stock now trading around $2 a share, it's certainly time to think about buying the stock.

AcuityAds is especially cheap when you look at its balance sheet. The company holds a tonne of cash and has almost no debt, putting it in a net cash position. This is crucial in this environment where it's much harder to raise cash, particularly for small up-and-comers like AcuityAds.

However, it's also important because although AcuityAds stock appears to have a market cap of roughly $120 million, because of all the cash it holds, its enterprise value (EV) (a better gauge of the overall value of the company) sits at just $35 million.

Therefore, when you consider that AcuityAds is worth just $35 million today and is expected to generate roughly $125 million in sales this year, it's clear just how cheap the stock has become. At its current price, the AdTech stock trades at a forward EV-to-sales ratio of just 0.3 times.

In addition, looking at AcuityAds's expected earnings before interest, taxes, depreciation, and amortization (EBITDA) over the next year, the stock has a forward EV-to-EBITDA ratio of just 3.1 times today. That's cheap for any company in any industry, but for a micro-cap tech stock with major growth potential, it's insanely undervalued.

So, with AcuityAds so cheap, is the stock worth a buy today?

Should you buy the high-potential tech stock today?

Although AcuityAds stock trades at an unbelievable valuation today, you may want to hold off on an investment for a little longer.

The company is set to report earnings later this week on Thursday. Therefore, waiting for the company to give investors an update on the business would be important. AcuityAds has faced some growing pains over the last year, as it rolled out its self-serve advertising platform. Plus, now, with a recession on the horizon, ad revenue across multiple industries has been falling.

So, in this environment, it will be crucial for investors to wait and see what management has to say about the current environment before pulling the trigger. Of course, that could cause the stock to rally slightly, and you may not be able to buy it as cheap as it is today.

But with AcuityAds stock so cheap already, that shouldn't matter. Plus, in this highly uncertain environment, it's crucial to have up-to-date information on how these stocks are performing.

Therefore, if you're looking to buy high-potential stocks in this environment that are ultra-cheap, AcuityAds is certainly one to keep your eye on, especially this Thursday, as it reports its third-quarter earnings.

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