2 Growth Stocks Down 25% to 75% I'd Buy Today

Description

Growth stocks are clearly unfashionable this year. Investors have had no patience for *future* payouts and uncertain outcomes when we're dealing with surging interest rates and a cost-of-living crisis. Most stocks have crashed 25% to 75% this year.

However, contrarian investors should turn their attention to beaten-down growth stocks. This could be an ideal time to snap up some bargains. Here are the top two growth stocks I'd buy today.

WELL Health

Medical software company **WELL Health** (TSX:WELL) has lost nearly 40% of its value year to date. That's on par with other small-cap tech stocks in this league. However, the underlying business is still thriving.

WELL Health reported a 46.7% surge in revenue during the latest quarter. The company has also been reporting net operating income instead of losses this year. In the first nine months of 2022, the company delivered $21 million in net operating income against $14.7 million in losses during the same period last year.

The management team expects annual revenue to exceed $550 million in 2022, while the company's market value is $700 million. That's a price-to-revenue ratio of 1.3 — an absolute bargain. That's why the company is repurchasing its own shares and why I'm adding more exposure, too.

Sleep Country

Sleep Country Canada Holdings (TSX:ZZZ) is another beaten-down growth stock. Consumers have cut back on discretionary spending this year. As a result, the mattress and sleep products retailer has seen its key revenue streams come under pressure.

The stock is already down by more than 40% year to date, underperforming the TSX Index, which is down by about 5%.

While the company has beaten earnings estimates in every single quarter since the third quarter (Q3) of 2019, that was not the case in the recent quarter. Revenue in the quarter fell 8.3% year over year to $251 million, missing consensus estimates of $268.24 million. In addition, same-store sales were down by 11%, signaling stress in the company's core business.

Earnings per share landed at $0.89 less than the $0.97 that analysts expected and was down 17% year over year. Amid the disappointing results, Sleep Country bought back $13.8 million worth of shares, affirming its commitment to continue returning value to shareholders.

After a 40% plus pullback, Sleep Country appears to be trading at a discount with a price-to-earnings multiple of 8.9. The company still pays a solid 3.7% dividend, which underscores the solid free cash flow that allows it to return value to shareholders.

While the stock remains under pressure amid global recession concerns, it is an exciting long-term play at current valuation levels. Additionally, it is a solid pick for any investor seeking to generate passive income.

The ongoing pullback is an opportunity for long-term investors. Sleep Country could see a rebound in sales and profits if the upcoming recession is milder than expected. Keep an eye on this contrarian bet.

CATEGORY

1. Investing

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1. TSX:WELL (WELL Health Technologies Corp.)
2. TSX:ZZZ (Sleep Country Canada)

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