3 Beaten-Down Stocks Worth Buying in 2023

Description

One way to gain an edge over the market is by buying beaten-down, heavily discounted, and, if possible, undervalued stocks when they are ripe for a recovery. If you choose just the right time to buy, you can capture almost all the growth promised by the recovery trend.

However, even if you catch the train when it's already gaining momentum, you can still see returns far better than most conventional growth stocks might offer for the same period.

A lumber company

Interfor (TSX:IFP) experienced a remarkable, bullish phase after the 2020 crash. The stock rose over 667% in a little under two years, reaching its highest level ever. Naturally, a correction followed, which covered most of 2022 and pushed the stock down over 48%. And even though the stock hasn't turned things around yet, there are reasons to be optimistic about a robust recovery in 2023.

The first reason is the market itself, which has been quite bullish for a while, and Interfor might simply be late to the party. The second reason is the stock's valuation.

With a price-to-earnings ratio of just 1.6, it's currently one of the most undervalued stocks trading on the TSX. We have yet to see how a steady decline in lumber demand will counteract the two positive forces, but if the need for lumber rises in 2023, we may see a significant rise in Interfor stock.

A waste processing company

Burlington-based **Anaergia** (TSX:ANRG) takes waste management to a new level with its "waste-to-value" approach. The company offers wastewater, solid waste management, and agricultural waste management solutions in which it converts different waste streams into valuable products like renewable natural gas and Ammonia.

The two trademarked technologies employed in this regard relied upon organic and anaerobic digestion. It's a sustainability-oriented company with a decent international presence — in 17 countries and over 230 facilities.

The solutions offered by Anaergia can help companies make significant reductions in their direct and indirect emissions associated with waste processing, making it a strong pick from an ESG (environmental, social, and governance) investing perspective.

Anaergia stock, even though it represents a promising company, has taken a severe beating in 2022 and fell nearly 80%. However, it's showing signs of a strong recovery and is already up 22%.

A digital auction company

E Automotive (TSX:EINC) markets itself as a revolutionary platform that combines the wholesale and retail of the automotive industry into one, making it one of a kind. EDealer for the retail sector and EBlock for digital auctions connect sellers and buyers in an innovative way, shrinking the supply chain and adding value to the whole process.

Despite the innovative idea and a lot of untapped potential, the stock hasn't performed well since its inception. It has fallen 79% from its initial public offering value (Nov. 2021), but the tide might finally turn. The stock has gone up 17% in 2023 so far, and assuming that it will follow the course of the market, it may keep going up for a while yet. You might see four-fold growth in your capital if the stock reaches just near its peak price.

Foolish takeaway

Some of the most beaten-down stocks have the potential to offer excellent returns in the right market conditions, and the current positively bullish market might fit the bill. There is still the fear of a recession hanging over the market, but it may take some time to push the market down.

CATEGORY

1. Investing

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2. TSX:IFP (Interfor Corporation)

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