Three of the Most Oversold Stocks to Own Now

Like most investors, one of your top goals has been to enjoy financial freedom at whatever age you choose. So, it stands to reason that your money should ideally generate above-market returns with below market risk.

Truth is — if you *really* want to become a better investor then you need to be looking at where the smart money is heading. You need to understand what is truly driving the markets and how you can take advantage of these moves *as – and before – they hit the mainstream.*

That's how the long-term wealth can be found.

One of the best ways to do just that is by spotting opportunity in excessively oversold stocks in great companies, including these three.

Oversold Stock No. 1 – Aurora Cannabis (ACB)

It now trades on the NYSE and is now just below $7 a share.

Aurora used to fly under the radar as a marijuana stock. But that's no longer the case, especially with strong earnings growth. The company just reported that revenue skyrocketed 260% year over year as kilograms produced jumped to 4,996 from 1,010. Earnings were up an incredible 2,800% to CA$104.2 million. Gross margins on cannabis grew to 70% thanks to a higher average selling price per gram of dried cannabis. Better yet, costs to produce a gram of dried cannabis sold fell by 22.5% year over year, and fell 14.7% quarter over quarter.

"We continue to successfully execute our differentiated and diversified strategy committed towards domestic and international expansion in the medical cannabis market, adult consumer use sales, production scale-up, innovation, plant and medical research, and product development," said Terry Booth, Aurora's CEO. "Given the strong unmet consumer demand evident across Canada, we are confident that our rapidly increasing production capacity will result in continued acceleration of revenue growth."

Even better for related stocks, there are plenty of catalysts. For one, former Attorney General Jeff Sessions just resigned. You may remember Sessions was a major foe for the industry, moving to end a policy that allowed states to make their own decisions on marijuana. Two, Canada just legalized recreational marijuana. Throughout Canada, where there is so much demand, the country is running short of supply. Three, more U.S. states just approved the use of marijuana, including Michigan.

Oversold Stock No. 2 – Roku Inc. (ROKU)

ROKU pulled back after missing expectations, but it was a clear overreaction. And analysts are still upbeat as every about its future. It beat top and bottom line numbers with revenue of $100.1 million, which was $3 million short of expectations. It also posted $4.56 in average revenue per user, which was a slight deceleration. However, analysts at Needham argue that numbers don’t reflect the overall health of the company’s ad business. They also argue that revenue per user was impacted by the growth of the channel.

William Blair analysts believe the sell-off was an overreaction, given encouraging momentum across many of ROKU’s business. “Management indicated that this quarter, video ad sales more than doubled, and have been consistently strong for several quarters,” they noted, as quoted by Market Watch. “Content distribution, which includes revenue sharing from SVOD [streaming video on demand] and TVOD [TV on demand] purchases on the platform, is a little lumpier due to revenue recognition and grew closer to account growth.”

Wedbush also maintained an outperform rating on the stock with a $65 price target. KeyBanc rates ROKU at overweight with an $81 price target.

Oversold Stock No. 3 – Square Inc. (SQ)

Big drops can be terrifying, but there's upside to plunging stock prices when you can buy gems at a massive discount. Square, which we’ve played a few times with typically better success, is one of the many opportunities. Since early October 2018, the stock fell from $100 to $65 a share. All thanks to a tech-routing, as markets plunged.

But the sell-off was a bit too far, especially given its mind-boggling growth. Second quarter revenue growth was up 48% year over year – and represents the fifth straight quarter of accelerating revenue growth. And, there's still plenty of growth ahead that could fuel hefty revenue streams and profit growth for years to come. In fact, the company believes it can grow revenue by 20% to 25% a year with margins of 35% to 40%. Plus, consider this. There are millions of small- and mid-sized businesses just in the U.S., which generate a total of $6 trillion in revenue. Even better, the company believes it can capture a good deal of the international market, too, which is five times bigger than the U.S. markets.

Analysts are taking advantage of the pullback, too. Canaccord Genuity for example just upgraded SQ to a Buy from a Hold, noting they had “been on the wrong side of Square stock for some time,” as noted by Barron’s. The firms also noted it sees a long-term opportunity given Square’s status as a “truly disruptive company.”