

# 15 Undervalued Stocks With Strong Earnings Growth in 2021

By [Evie Liu](#) Feb. 8, 2021 7:00 am ET



D.R. Horton has gained as the real-estate market has taken off.

Daniel Acker/Bloomberg

SentimenTrader, meaning they are moving less in tandem with each other. "It's a truism of markets, lasting decades if not centuries, that when investors panic, [investors] sell everything together. When they're comfortable, they buy and sell securities on their individual merits," wrote Goepfert in a Thursday note.

If that's the case, then a company's fundamental prospects and its valuation may start to matter more than macro factors like politics and interest rates. That creates a perfect environment for stock-picking.

Consider that many companies have emerged from the pandemic stronger, and are expected to post higher growth, but not all have seen their stock prices catch up.

Of the S&P 500 companies, about 150 are expected to post 2021 earnings-per-share that are at least 20% higher than what they recorded pre-pandemic, in fiscal 2019. From those 150 names, *Barron's* screened for those that are trading at a valuation discount of 20% or more from a year ago, as measured by their ratios of price to forward earnings.

That yielded 15 stocks across the health care, finance, industrial, consumer cyclical, and other sectors.

## Undervalued Growth Stocks

The S&P 500 has set new highs yet again as earnings reports and stronger-than-expected economic data roll in and hopes abound for more stimulus. Yet there are still plenty of opportunities left for stock pickers.

Even though stocks have risen, the correlation among S&P 500 members has declined to the lowest level in a year, according to Jason Goepfert at

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Company / Ticker	2021 EPS Estimate	2019 EPS	2021 P/E Ratio*	2020 P/E Ratio**	Consensus Price Upside
Weyerhaeuser / WY	\$1.83	\$0.39	19.2	39.2	6%
Hologic / HOLX	8.95	2.43	10.9	19.7	6%
Charter Communications / CHTR	20.28	7.45	29.5	37.0	15%
D.R. Horton / DHI	9.06	4.29	8.2	11.1	24%
Vertex Pharmaceuticals / VRTX	11.22	5.33	18.8	29.2	33%
Laboratory Corporation of America / LH	21.43	11.02	11.5	14.8	13%
Newmont / NEM	2.55	1.34	13.6	24.5	35%
PulteGroup, Inc. / PHM	6.18	3.66	7.5	10.6	23%
Quest Diagnostics / DGX	11	6.56	11.4	16.7	15%
Everest Re / RE	7.65	4.65	9.1	11.6	20%

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Showing 1 to 10 of 15 entries

Note: \*as of Feb. 4, 2021; \*\*as of Feb. 4, 2020

Source: FactSet

Medical-device firm [Hologic \(HOLX\)](#) has been benefiting as its monocular diagnostics equipment is widely used for Covid-19 testing. Home builder [D.R. Horton \(DHI\)](#) is riding the heated real estate market as people working remotely leave city centers for larger houses in the suburbs. [Charter Communications \(CHTR\)](#) is also getting more business as homebound Americans become heavily reliant on high-speed internet for work, school, and communication with friends and family.

All those tailwinds are likely to remain in 2021, and the stocks have been rising over the past year. But their forward-based valuations are still way below where they were a year ago and their respective five-year averages. Hologic's valuation, for example, is 45% less than its valuation in February 2020. Meanwhile, D.R. Horton's discount is 26%, and Charter's, 20%.

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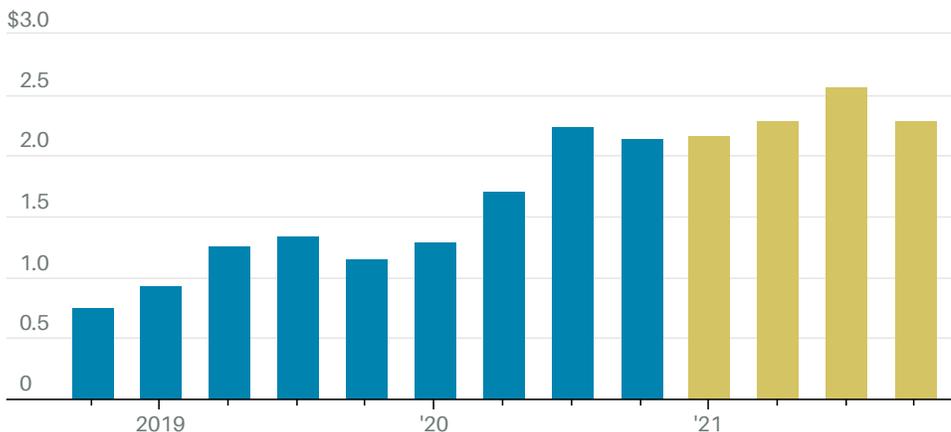
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## Building on Its Gains

Some companies have emerged stronger from the pandemic.

### Quarterly EPS at D.R. Horton



Note: 2021 data are consensus estimates.

Source: FactSet

To be sure, a screen is just a starting point. There may be valid reasons for a stock to remain undervalued and it's also worth doing more research. Just to begin, we looked at how Wall Street analysts viewed these stocks, on the theory that they do a lot of fundamental research about a company and its industry and might have uncovered some red flags.

We found that all 15 stocks in the screen are expected to see their share prices increase in the next 12 months, based on analysts' forecasts. Their average targets for the stock prices range from 6% to 35% above the current levels.

That suggests tempting gains lie ahead for careful investors.

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