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3 Insanely Cheap Stocks We're Buying Today

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Rocked by concerns about the U.S. economy, instability in the European financial system, and a flight to safety in the wake of Standard & Poor's downgrade of U.S. debt, the market has fallen by about 10% in just the past month, even with its mild rebound of the last few days.

At times like these, it's important for us to remember the timeless advice of billionaire investor Warren Buffett:

> I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful.

Savvy investors, with the stomach to buy after market sell-offs, stand to benefit from wealth-creating opportunities such as these.

If you're looking for great stocks to buy today, you could do worse than to buy top-notch blue chip stocks that got whacked during the sell-off.

But let's remember: "High quality" names like **Akamai** (Nasdaq: AKAM _) and **Teva Pharmaceuticals** (Nasdaq: TEVA _) weren't the top performers coming out of the March 2009 market low. Both continued to see strong growth (though Akamai's web traffic volume is now slowing somewhat), but because their stock prices didn't reflect the market's depths, they had less room to run.

In fact, the market's cheapest quintile returned 280% -- more than double the others' average. Supposed value traps among the cheapest group that investors left for dead, such as **American Capital Agency** (Nasdaq: AGNC _) and **Linn Energy** (Nasdaq: LINE, came roaring back once the market realized that creditors hadn't lost confidence in mortgage REITs like American Capital, and that Linn had locked in favorable long-term pricing.

Here are the insanely cheap stocks I'm buying for the real-money Dada portfolio I co-manage:

Company	5-Year Trailing Earnings-per-share growth Rate	5-Year Estimated Earnings-per-share growth Rate	Price-to-Earnings Ratio
Ebix (Nasdaq: EBIX _)	61%	17%	10.5
Supervalu (NYSE: SVU _)	(13%)	5%	3.1*
Yongye (Nasdaq: YONG _)	40%**	10%	4.1
Median S&P 500	*7.7%*	*11.2%*	*15.1*

Data from Capital IQ, a division of Standard & Poor's.
*Price-to-free cash flow ratio.

**3-year growth.

Of course, when individual stocks get this cheap, there's often a reason for it. Here's what you need to know about these stocks, and why investors are down on them:

Ebix

Ebix provides EbixExchange, a software hub for data exchange that allows insurers and brokers to get quotes, check ratings and financials, monitor costs, manage benefits, and so forth. It's a great business to dominate, because there are network effects to such exchanges, since more members make the data more valuable. Ebix's software, which is available on a subscription basis, provides it with recurring revenue with an excellent retention rate. That generates lots of free cash flow, which Ebix uses to buy up smaller competitors and, more recently, its undervalued stock. The company's CEO, who already owns a major stake in the company, recently bought a chunk of shares a little above today's prices.

Part of the reason for Ebix's cheap stock relative to its past growth and future prospects is that the company is a favored target of skeptics and short sellers, who are concerned about the company's internal controls, specifically alleging that it overstates organic growth, uses its acquisition strategy to hide weakness, and has an eccentric CEO. The company has hired Ernst & Young to help it address some of these issues.

Ebix has a history of topping analyst growth estimates. Assuming the numbers are real, it's a strong company trading at a cheap price.

Yongye

Yongye produces Shengmingsu, an organic fertilizer that Chinese farmers use, along with other fertilizers to improve the health and yield of their produce. Given its lack of arable land, food scarcity is a major problem in the world's most populous nation, and boosting food production -- especially organically -- is a major policy imperative.

Chinese small caps have gotten crushed over the past couple of years, as investors and short-sellers have become skeptical that they can trust anyone in the Chinese market. In particular, bloggers have attacked the veracity of Yongye's management team and the efficacy of Shengmingsu. But if its numbers are real, Yongye could be a strong performer.

The Motley Fool's *Global Gains* team has visited the company to check out the products. Also, after conducting its due diligence, **Morgan Stanley** invested $50 million in the company, albeit with a few strings attached to protect its investment, and took a seat on the board. Yongye's CEO also promised to buy $3 million worth of the company's shares.

SUPERVALU

SUPERVALU runs several chains of grocery and drug stores, including Save-A-Lot and Jewel-Osco. As its name suggests, it focuses on providing customers with value and affordability.

SUPERVALU's bane is its heavy debt load and the difficult economy. The company sports a nearly 5-to-1 debt-to-equity ratio. Over half of its operating earnings go toward just paying off the interest on its debt. And business is tough; same-store sales were off almost 4% last quarter.

But the company's experienced management team is responding by reducing administrative expenses, closing underperforming stores, and deleveraging. The company expects to save $115 million on costs in 2011. Debt was down $722 million over the past year, which saved $19 million in interest payments last quarter. These efforts should help whittle down SUPERVALU's debt and cushion the economy's blow. The stock is cheap enough that earnings could shrink quite a bit and we'd still make money.

The Dada portfolio will be buying these three stocks because we like their enormous potential upside. If you're looking for more stock ideas – be they undervalued high-quality stocks or spicier ones with tremendous upside -- click here to see "5 Stocks The Motley Fool Owns -- And You Should Too."

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