Canadian Investors: 3 Top Undervalued Stocks to Buy Now

Description

The **Toronto Stock Exchange** (TSX) outperforms Wall Street in the U.S. with its 14.89% year-to-date gain. In addition, Canada's primary market benchmark closed above 20,000 for the first time on June 4, 2021. A **Reuters** poll results also expect the index to climb to 21,750 by year-end 2022. Frugal investors looking for great buys today can consider three top undervalued stocks.

Big lift from rising crude prices

Rising oil prices are boosting energy stocks, including **Vermilion Energy** (TSX:VET)(NYSE:VET). Current investors are winning 83.98% thus far, in 2021. If you were to invest today, the share price is $10.45 at writing. The $1.66 billion oil and gas producer's net income in Q1 2021 (quarter March 31, 2021) was $499.99 million versus the $1.31 billion net loss in Q1 2020.

Vermillion's fund flows from operations (FFO) increased 20% to $162 million from the preceding quarter. Its two most dominant products, crude oil and natural gas, benefitted from higher prices during the quarter. Similarly, the company's $83 million investment in exploration and development generated $79 million of free cash flow (FCF).

Management also notes the capital expenses helped Vermillion complete its winter drilling program in Canada and the majority of drilling plans for the year in Europe. The company capitalized on the 35% increase in global crude oil prices. Moreover, the bulk of FCF was used to reduce debt, resulting in a 5% decrease in net debt compared to year-end 2020.

Focus on high-need patients

Viemed Healthcare (TSX:VMD)(NASDAQ:VMD), a $342.34 million provider of in-home durable medical equipment, flies under the radar. The Louisiana, U.S.-based company addresses illnesses such as chronic obstructive pulmonary disease (COPD), neuromuscular, and sleep apnea that the aging population commonly experience.

The healthcare stock trades at a bargain ($8.65 per share), although market analysts recommend a strong buy rating. They forecast a potential upside of between 72.7% ($14.84) and 107.3% ($17.93). In Q1 2021 (quarter ended March 31, 2021), core business revenues increased 12% to US$25.5 million versus Q1 2020.

While net income slid nearly 60%, the new patient uploads in March, the highest single month since the pandemic, is a welcome development. Viemed aims to be the independent leader when it comes to home therapy of patients with complex needs. It employs the highest number of respiratory therapists than any of its competitors in the country.

Spirits and cannabis

Alcanna's (TSX:CLIQ) trailing one-year price return is 109.6%. The current share price of $6.77 is a steal given the potential 103.1% upside to $13.75 based on analysts' forecast. The $245.1 million company is the country's premier retailer of wine, spirits, and beers. It dominates the markets in Alberta and British Columbia.

Nova Cannabis, a publicly-listed company on the TSX Venture Exchange, is a majority-owned subsidiary. In Q1 2021 (quarter ended March 31, 2021), total sales increased by 2.8% versus Q1 2020. Alcanna's same-store liquor sales grew by a significant 7.9%, while its liquor division gained 7.5% in gross margin dollars.

Alcanna expects Nova to be its growth catalyst. The subsidiary has 53 cannabis retail locations with 30 more stores in Alberta and Ontario under development or construction. Nova's primary objective strategy is to be one of the largest and fastest-growing cannabis retailers that deliver compelling value to cannabis consumers.

Attractive to frugal investors

Frugal investors should find the top three undervalued stocks attractive investment options. Given the growth drivers, each one promises superior gains.

CATEGORY

1. Cannabis Stocks
2. Energy Stocks
3. Investing

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2. NYSE:VET (Vermilion Energy)
3. TSX:VET (Vermilion Energy Inc.)
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