3 UNDERVALUED TSX Stocks to Buy Right Now

Description

TSX stocks at large have rallied almost 16% so far this year. However, even if the economic growth prospects look bright, valuation concerns might hinder stocks' growth from here. So, where can investors look for value? Here are three top undervalued TSX stocks that could continue to soar higher.

Toronto-Dominion Bank

Canada's second-largest bank stock **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) is my favourite stock in the sector. Its robust balance sheet, scale, and earnings stability make it a smart bet for long-term investors. Also, a decent dividend yield of 3.7% is in line with the peers.

TD stock has soared 20% this year and is currently trading close to its all-time highs. Notably, it is trading at a price-to-earnings valuation of 11 times and a price-to-book ratio of 1.7 times. That looks discounted against peers and suggests a decent runway for growth. In addition, TD could see even steeper earnings growth in the next few quarters as economies re-open post-pandemic.

TD will report its fiscal Q3 2021 earnings on August 26. Almost all Canadian banks are flush with cash due to relatively faster recovery from the pandemic. However, TD Bank leads the pack. It will be interesting to see its superior cash position during the quarter and will likely lead to a juicy dividend increase later this year.

goeasy

The year 2021 is another one where consumer lender stock **goeasy** (TSX:GSY) delighted its shareholders. The stock is up almost 90% this year and will likely continue its upward climb.

The company's omnichannel model, wide geographical presence, and growing addressable market differentiate it from its peers. It has seen strong financial growth and stock performance in the last two decades.

The company recently increased its guidance for the next two years, after its handsome Q2 2021 numbers and completing the recent Lendcare acquisition; goeasy forecast its revenues to increase by 20% compound annual growth rate (CAGR) through 2022. Besides, it expects an adjusted operating profit margin of 37% and an adjusted return on equity of 22% through 2022.

Additionally, goeasy stock yields a decent 1.5% at the moment. Its shareholder payout has increased by a 34% CAGR since 2014.

Interestingly, GSY is currently trading at all-time highs and is trading at a P/E multiple of 13 times. Such a high-growth stock trading at inexpensive multiple looks like an appealing bargain offer.

BRP

Canadian Powersports vehicle company **BRP** (TSX:DOO)(NASDAQ:DOOO) is another TSX stock that looks attractive. The stock reversed its trend in June and is up 25% since then. It has gained 80% in the last 12 months, remarkably outperforming the TSX Composite Index.

Despite the steep rally, DOO stock is currently trading at a P/E valuation multiple of 12 times. Moreover, the management has given normalized earnings guidance range of $7.75 to $8.50 per share for the fiscal year 2022, representing earnings growth of over 50%. The stock looks highly undervalued at the moment, given its handsome earnings growth.

The company operates in 120 countries with a diverse product portfolio that includes all-terrain vehicles, snowmobiles, and watercraft. Some popular Powersports brands like Sea-Doo and Ski-Doo fall under BRP's umbrella.

After lockdowns and near-zero demand, the company has started seeing strong traction for its products recently. The stock can keep climbing higher due to its attractive valuation, recovering demand, and stellar expected earnings growth.

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:DOO (BRP Inc.)
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