



## 3 Undervalued TSX Stocks Set to Rocket Higher

### Description

It seems like day after day, stocks on the **TSX** just keep climbing higher. If you have fresh capital to deploy, it can be a real challenge to know how, where, and when to invest. I have learned that if you can invest for the long-term (three to five years or longer), concerns about politics, the economy, valuations, and stock prices matter less.

Keep in mind, these factors still matter, but investing in great businesses over the long term just helps alleviate the risks from short-term market volatility. If you are looking for TSX stocks that are [undervalued](#) but have ample upside catalysts, here are three I'd consider today.

### One of the best GARP stocks on the TSX

**Calian Group** ([TSX:CGY](#)) is perhaps one of my favourite [growth-at-a-reasonable-price](#) (GARP) stocks on the TSX. This TSX stock has only been growing revenues by a compound annual growth rate (CAGR) of around 13% over the past five years.

Yet, in that same period, EBITDA has expanded by an 18% CAGR. Over the past two years alone, both those metrics have nearly doubled (i.e., CAGRs of 23% and 38% respectively), indicating growth and earnings margins are accelerating.

Calian provides a broad array of solutions in healthcare, education, IT/cybersecurity, and Satcom/advanced technologies. Fuelled by customer, geography, and product diversification, each of these categories is growing in the double digits. This business is growing faster than its earnings multiple of 17 times so this stock is still a sweet bargain today.

### A TSX small-cap stock due for a re-rating

Another TSX stock that looks undervalued is **IBI Group** ([TSX:IBG](#)). IBI provides engineering, technology, architectural, and design services and solutions across the world. This stock is particularly intriguing for a few reasons. First, many countries across the world will be looking to stimulate their

economies by spending on infrastructure. That should bode well for IBI's rising backlog of projects.

Second, IBI has particular expertise in smart city technology and resource management, which makes it an attractive ESG play. Yet, it is also growing a nice recurring revenue stream from a growing array of intelligent infrastructure SaaS solutions. This gives it a unique, higher-margin segment that sets it apart from other peers.

Finally, this TSX stock trades with a price-to-earnings (P/E) ratio of just 14. Larger peers, such as **WSP Global** and **Stantec**, trade closer to 30 times earnings. Consequently, as IBI grows both in size and in fundamental quality, there is a significant opportunity for its valuation to re-rate upward.

## A Canadian technology stock primed for upside

An interesting technology stock trading on the **TSX Venture Exchange** is **Sangoma Technologies** (TSXV:STC). If there is one stock that is due for a valuation re-rating, it might be this stock. Sangoma provides unified communications-as-a-service solutions, largely to small-to-medium-sized businesses globally.

For the past few years, the company has been happily growing EBITDA by over 70% a year. It just acquired a large American peer. This will increase its cloud-based solutions segment, widen its customer mix, improve its margin profile, and increase its recurring revenue to over 70% of revenues.

While this all appears to be very positive, the market has taken a "wait-and-see" approach. Yet, now is an intriguing opportunity for this stock. Sangoma stock trades at only a small fraction of the valuation of larger (but less profitable) communications businesses in America. Consequently, Sangoma is looking to [list on a U.S. exchange](#) fairly soon. That could present an exciting catalyst for this high-quality business to get the attention it deserves.

### CATEGORY

1. Investing
2. Stocks for Beginners
3. Tech Stocks

### TICKERS GLOBAL

1. TSX:CGY (Calian Group Ltd.)
2. TSX:IBG (Ibi Group)
3. TSX:STC (Sangoma Technologies Corporation)

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**Date**

2025/08/15

**Date Created**

2021/09/07

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