



4 Cheap Canadian Stocks with Solid Upside Potential

Description

Despite a massive rally in the **Canadian equity markets** over the last 20 months, few companies have failed to participate in the rally and are available at attractive valuations. So, if you are ready to invest, here are four cheap Canadian stocks that can deliver superior returns over the next three years.

Absolute Software

This year, **Absolute Software** ([TSX:ABST](#))([NASDAQ:ABST](#)) has severely underperformed the broader equity markets, losing over 8% of its stock value. The [lower-than-expected second-quarter earnings](#) appear to have weighed on its stock price and valuation. The company currently trades at a forward price-to-earnings of 22.8, which looks cheaper given its healthy growth prospects.

The cybersecurity market is expanding amid growth in remote working, learning, and shopping, driving the demand for Absolute Software's products and services. Further, the company earns a significant amount of its revenue from recurring sources, which is encouraging. Besides, its acquisition of NetMotion Software has strengthened its competitive positioning. Additionally, the company also pays quarterly dividends, with its forward yield standing at 2.29%.

Suncor Energy

Amid rising crude oil prices, **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) would be an excellent bet. Although the company has witnessed a strong buying this year, with its stock price rising 36.7%, it is still trading at over 30% lower than its pre-pandemic levels, providing an excellent buying opportunity. Its forward price-to-earnings and forward price-to-sales multiples stand at an attractive 8.7 and 1, respectively.

Amid improvement in economic activities, crude oil demand has increased. Meanwhile, OPEC+ countries are struggling to meet their new output quota, driving oil prices higher. Also, analysts are projecting oil prices to remain at elevated levels in the near term, benefiting Suncor Energy. Its increased production, higher refinery utilization rate, and cost-cutting initiatives augur well with its growth prospects. So, I expect [Suncor Energy to deliver superior returns over the next three years](#).

B2Gold

Amid a decline in gold prices, **B2Gold** ([TSX:BTO](#))([NYSEMKT:BTG](#)) has lost over 48% of its stock value from its October highs. The steep correction has dragged its valuation to an attractive level, with a forward price-to-earnings multiple of 7.4. So, the downside for the company is limited. Meanwhile, the company's gold production could increase in the second half of this year. The management expects to produce over one million ounces of gold this year from its three low-cost mines.

Also, I expect gold prices to strengthen in the coming quarters amid rising inflation and volatility in the equity markets, benefiting B2Gold. Given its healthy liquidity of \$982 million, the company's dividends are safe. It currently pays a quarterly dividend of \$0.04 per share, with its forward yield standing at 4.1%.

HEXO

My final pick would be **HEXO** ([TSX:HEXO](#))([NASDAQ:HEXO](#)). In August, the company raised around US\$145 million through new equity offerings. The weak third-quarter performance and fear of dilution due to new equity offerings have dragged the company's stock price down. Meanwhile, the steep correction provides an excellent entry point for long-term investors amid expanding cannabis market due to increased legalization.

Meanwhile, HEXO has expanded its product offerings and strengthened its competitive positioning in the Canadian recreational space by acquiring Zenabis, 48North Cannabis, and Redecan. Also, the synergies between these companies could deliver significant savings, thus improving its margins in the coming quarters.

Further, it's seeking to expand its presence in the United States by launching CBD-infused beverages in association with Molson Coors. So, the company's growth prospects look healthy.

CATEGORY

1. Cannabis Stocks
2. Energy Stocks
3. Investing
4. Metals and Mining Stocks
5. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:ABST (Absolute Software)
2. NASDAQ:HEXO (HEXO Corp.)

3. NYSE:SU (Suncor Energy Inc.)
4. NYSEMKT:BTG (B2Gold Corp.)
5. TSX:ABST (Absolute Software)
6. TSX:BTO (B2Gold Corp.)
7. TSX:HEXO (HEXO Corp.)
8. TSX:SU (Suncor Energy Inc.)

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