



3 Undervalued TSX Stocks Under \$10 to Buy Today

Description

TSX stocks are up nearly 25% in 2021! Generally, it has been a strong year for Canadian investors. However, small-cap stocks, in particular, have lagged the market. It looks like there are some attractive opportunities in this segment to swipe up cheap stocks with elevated growth potential. In fact, here are three **TSX** stocks trading under \$10 per share right now. These present an attractive combination of growth, income, and value today.

A growing TSX income stock

Real estate is a really attractive asset class right now. When inflation rises, landlords are able to raise rents and their property values increase simultaneously. One TSX stock that looks particularly interesting is **European Residential Real Estate Investment Trust** ([TSX:ERE.UN](#)). With a market cap of \$400 million, it trades for just \$4.60 per share today.

It may not be well-known to many Canadian investors because 100% of its apartment properties are located in Europe. It is fast becoming one of the Netherlands' largest apartment landlords. The Netherlands is a great place to be a landlord because there is a clear rule of law, a very dense population, and a low housing supply. As a result, occupancy is consistently high and apartment demand is always strong.

This TSX stock just announced really strong third-quarter results. Adjusted funds from operation (AFFO) per unit grew by 13%. Despite raising its dividend earlier this year, its payout ratio continued to drop. Today, it pays a 3.5% dividend. It also trades at a significant discount to its European and Canadian apartment REIT peers. For value and [income](#), this is a great small-cap stock.

A TSX value stock

Speaking of value, **Andrew Peller** ([TSX:ADW.A](#)) is starting to look interesting. At \$8.40 per share, it trades with a forward price-to-earnings ratio of just 14. It is one of Canada's largest producers and distributors of wines and alcoholic beverages.

Certainly, given pandemic-related headwinds (lockdowns, leisure and travel restrictions, etc.), it has been a challenging year for this business. This TSX stock is down nearly 20% year to date. However, it has a high-quality business, a diverse product line, and great estate assets. It is trading very cheap, even compared to peers.

Obviously, the company thinks so. It has been buying back a lot of stock. It is authorized to buy back 5% of its shares and has repurchased about a third of that amount this year. Likewise, in June it raised its dividend by 10%. Today, it yields a 2.9% dividend. That is decent compensation while you wait for this business to turn around.

A top ESG growth stock

One small-cap TSX stock with a long-term growth tailwind is **H2O Innovation** ([TSXV:HEO](#)). At \$2.50 per share, it has a market cap of only \$200 million. Yet, it has a huge opportunity. H2O provides specialized water filtration services for utilities, municipalities, and large corporations. With freshwater becoming an increasingly scarce resource, organizations are investing heavily to better manage their water resources.

While H2O is not necessarily a tech stock, it captures high recurring revenues like a SaaS business. Once its filtration units are installed, they generally require long-term service contracts that H2O fulfills. It just produced pretty [solid first quarter 2022 results](#).

H2O has been growing organically. However, it has also been consolidating smaller water service businesses across the world. There are very few large players in its sector, so it has a lot of opportunities to grow by acquisition. H2O has a low-debt balance sheet, which should support this opportunity. For a great long-term ESG play, this TSX stock is still in the early innings of its long-term growth trajectory.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:ADW.A (Andrew Peller Limited)
2. TSX:ERE.UN (European Residential Real Estate Investment Trust)

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