3 Unpopular TSX Stocks That Could Surge

Description

You have got to buy stocks when they are out of favour for higher returns while better protecting your invested capital with a bigger margin of safety. Here are three unpopular TSX stocks that could surge.

Gold stocks are still depressed

Gold stocks have been unpopular for some time, but the negative market sentiment has been turning positive. Let's take **Equinox Gold** (TSX:EQX)(NYSE:EQX) as an example. The poor gold stock lost half of its market value from its all-time high in October 2020 to the depths of the correction in August 2021. The extensive selloff was first triggered by the suspension of one of its Mexican mines, which contributed about 20% to its production. That issue is solved.

The gold stock seems to have bottomed in August and has trended upwards since then. Equinox Gold stock popped more than 5% on Thursday. Purchase volumes have been above average this week, as the stock strives to shoot past the 50-day simple moving average.

Equinox Gold has *the best* production growth expectation among its mid-cap peers. From 2021 to 2024, it could grow production by 83%! It has five growth projects contributing to that growth. The Santa Luz mine construction in Brazil is 70% complete, and management anticipates the first gold pour for the first quarter of 2022. Other than its growth profile, the gold stock's cheap valuation also makes it one of the best candidates for price appreciation.

Algonquin Power & Utilities

Algonquin Power & Utilities (TSX:AQN)(NYSE:AQN) stock has corrected more than 20% from its 52-week high. Patient investors could be rewarded handsomely. First, the utility provides an awesome yield of 4.8% at writing. Second, the dividend stock appears to be undervalued from the selloff.

Its capital plan of US$4 billion this year is quite large, taking up close to 43% of its five-year capital plan of US$9.4 billion. In comparison, the regulated utility and renewable power company's 2020 total assets were US$13.2 billion. The company just reported its third-quarter results on Thursday. In the press release, it stated that it is on track with the 2021 capital plan with US$3.4 billion of capital spending year to date.

In fact, the dividend stock could surge after this earnings report, which witnessed revenue growth of 40% to US$528.6 million and adjusted EBITDA, a cash flow proxy, growth of 27% to US$252.0 million. Additionally, the recent inflation rate of 4.4% was roughly double the historical rate, which can drive more investors to high-yield, quality dividend stocks like Algonquin and push its stock price up in the process.

WELL Health Technologies

WELL Health (TSX:WELL) stock is not popular enough. Otherwise, the healthcare stock would not have consolidated in a sideways channel since September 2020. At the bottom of the channel, it's a good time to accumulate the unloved stock. If management executes well, WELL Health could surge strongly at one point. 13 analysts cover the stock with lots of growth expectations. Their consensus 12-month price target suggests roughly 70%, which would be incredible if materialized.

The company has been growing rapidly with acquisitions and gaining a competitive advantage by strengthening its network effect as it grows in scale. Management expects the annualized revenue run-rate to approach $450 million and operating adjusted EBITDA to be close to $100 million by the year end. Notably, organic growth is also present across its two business lines: omni-channel patient services and virtual services.

CATEGORY

1. Dividend Stocks
2. Investing
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TICKERS GLOBAL

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2. NYSEMKT:EQX (Equinox Gold Corp.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:EQX (Equinox Gold Corp.)
5. TSX:WELL (WELL Health Technologies Corp.)

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