3 UNDERVALUED TSX Stocks on My Shopping List for the Holiday Season

Description

Canadian markets took a breather in the last couple of weeks after a steep rally. Interestingly, some **TSX** stocks took a beating in this period, which brought them well below their fair values. Here are three top Canadian names that long-term investors can consider after a recent selloff.

goeasy

Canada's top consumer lender stock, **goeasy** (TSX:GSY) lost momentum in September. It added 135% in the first nine months of the year but has lost 15% in the last two months. Many growth stocks changed course in the same period on the valuation concerns yields sharply rose. However, that does not dent goeasy's long-term growth prospects.

In the third quarter of 2021, goeasy reported another strong set of numbers. It reported total revenues of $153 million, a growth of 26% year over year. Its net income almost doubled in the same quarter.

goeasy completed its acquisition of LendCare, a point-of-sale consumer finance and technology company, in April of this year. The management upped its guidance for the next two years, forecasting close to 20% annual revenue growth through 2023.

Interestingly, GSY stock is currently trading 12 times its earnings. Its strong financial growth, stable dividends, and handsome growth prospects render it a steal after the correction.

Canadian Natural Resources

Canada's biggest energy company by market cap, **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) is another top pick among undervalued stocks. The stock has rallied 85% this year and is currently sitting at its all-time high. However, its current valuation suggests a decent runway for upward movement even from these levels.

Energy markets recovered fairly quickly after the deep pandemic dent last year. Crude oil prices more than doubled this year after a sharp rise in demand but muted growth in supply. As a result, energy companies reported significant financial growth in 2021.

Canadian Natural Resources reported 82% revenue growth so far in 2021 relative to last year. The bottom-line growth has been even taller. So far in nine months of 2021, it has reported $5.1 billion in profits against a loss of $1.2 billion in the same period last year.

Even after such a steep growth, CNQ stock is trading 11 times its earnings, lower than the industry average. Moreover, the demand for energy commodities will likely continue amid re-openings. So, one can expect continued superior earnings growth for the next few quarters.

Certainly, the earnings growth next year might not be as steep as this year. However, CNQ is still attractive due to its strong growth prospects, juicy dividends, and strength in energy markets.

Tourmaline Oil

Canada's biggest natural gas producer **Tourmaline Oil** (TSX:TOU) has been one of the beneficiaries of the energy rally. The stock has rallied 125% so far this year, notably outperforming peer energy stocks. Despite the steep rally, the stock is trading at eight times its earnings.

Driven by solid financial growth, the company returned record cash to shareholders in the form of dividends this year. Tourmaline Oil has increased its quarterly dividends twice this year and also issued a special dividend in October. Importantly, the company is flush with cash and could enable more cash payouts next year as well.

As natural gas could continue to trade strong, Tourmaline stock might follow.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:GSY (goeasy Ltd.)
4. TSX:TOU (Tourmaline Oil Corp.)

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