3 Cheap TSX Stocks That Could Outpace the Market in 2022

Description

The equity indices continue to trade near record highs, despite rising inflation rates, the threat of the Omicron variant, and sky-high valuations. So, while a market pullback is warranted, there are a few stocks trading at a cheap valuation, making them attractive to value investors.

We'll take a look at three such TSX stocks that are well poised to outpace the TSX in the future.

Algonquin Power & Utilities

A Canada-based company valued at a market cap of $12 billion, **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQN) should be on the radar of long-term investors. In Q3 of 2021, AQN increased revenue by 40% year over year to $528.6 million, while adjusted EBITDA rose by 27% to $252 million. Its adjusted net earnings rose by 11% to $97.6 million, or $0.15 per share.

In October, Algonquin announced that its indirect subsidiary Liberty Utilities will acquire Kentucky Power Company and AEP Kentucky Transmission Company for a purchase price of $2.846 billion. The acquisition will add $2.2 billion of regulated rate base assets to AQN's portfolio, which means around 80% of the company's business mix will be regulated, once the transaction is completed.

Algonquin's regulated base of assets allows the company to pay investors an annual dividend per share of $0.85, indicating a forward yield of 4.81%. Analysts tracking AQN stock also have a 12-month price target of $21.66, which is 22% higher than its current trading price. After accounting for its dividend yield total returns will be closer to 27%.

goeasy

One of the top-performing stocks on the TSX in the past decade, **goeasy** (TSX:GSY) has returned 3,600% to investors in dividend-adjusted gains since December 2011. GSY stock is also down 19% from record highs, allowing you to buy the dip.

Despite its market-thumping gains, goeasy offers investors a forward yield of 1.5%. Valued at a market cap of $2.93 billion, goeasy is forecast to increase sales from $652 million in 2020 to $985 million in 2022. Its earnings are also forecast to increase at an annual rate of 12% in the next five years.

goeasy shares are valued at a forward price-to-2022 sales multiple of three and a price-to-earnings multiple of 14.8, which is extremely reasonable given the company's growth estimates.

Analysts tracking GSY stock expect to gain close to 35% in the next 12 months.

Brookfield Renewable Partners

The final stock on my list is **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP), which has returned over 500% to investors in the last decade. However, it's also down 28% from all-time highs. One of the largest renewable energy companies, BEP offers investors a forward yield of 3.3%. Since 2010, it has increased dividend payouts at an annual rate of 6% and expects distributions to grow between 5% and 9% in the future.

Brookfield Renewable, in fact, aims to provide annual returns of 15% to investors over the long term, and given the tailwinds surrounding renewable energy, the company is well positioned to meet its lofty goals.

Further, Brookfield's diversified base of cash-generating assets and recent additions to its widening portfolio enabled the company to increase funds from operations to $0.33 per share, or $210 million, an increase of 32% year over year.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:BEP (Brookfield Renewable Partners L.P.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
5. TSX:GSY (goeasy Ltd.)

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