3 Insanely Cheap TSX Stocks to Buy for 2022

Description

The recent selloff in TSX stocks is creating some exceptional investing opportunities for 2022. We have the combination of a new COVID-19 variant, supply chain constraints, tightening monetary policy, tax-loss selling, and compressing valuations that are all putting pressure on stocks. Certainly, many of these issues are concerning.

Yet they are all temporary and largely a reversion to more normal economic patterns. Chances are good the stock market in 2022 will not repeat the same performance as it did in 2021. Consequently, I believe investors are best picking individual stocks over indexes. If you are looking for some cheap TSX stocks set for outperformance in 2022, here are three stocks I'd take a look at today.

A TSX energy stock

Suncor Energy (TSX:SU)(NYSE:SU) could be set for strong performance in 2022. Peers like **Canadian Natural Resources** are trading just below all-time highs. Yet Suncor stock has yet to even surpass its pre-COVID-19 levels.

Suncor has faced several operational issues in 2021. Likewise, investor sentiment has been low ever since the company cut its dividend in 2020. Fortunately, today Suncor looks to have worked through most of its issues and it appears to be back on track. Strong oil prices have helped it generate a ton of free cash, which it has used to reduce debt, buy back stock, and reinstate its pre-pandemic dividend.

Today, this TSX stock yields 5.6% and only trades with a price-to-earnings (P/E) ratio of seven. Its recent pullback looks like an attractive opportunity to buy this cyclical stock.

A top dividend stock

Renewable power stocks and utilities have experienced a severe decline in 2021. I think that presents some attractive value opportunities for income-focused investors. One stock that looks pretty cheap here is **Algonquin Power** (TSX:AQN)(NYSE:AQN). After a huge run up in 2020, this stock has pulled back 14% this year.

Like Suncor, it has faced some operational setbacks this year. Consequently, the company only expects to hit the low end of its earnings guidance in 2021. This is short term. Overall, the company has a great platform of regulated utilities and renewable power operations. It is completing a large utility acquisition that should create accretive de-carbonization opportunities in the future as well.

While its growth is slowing to some extent, it still targets an industry-leading 7-9% annual earnings-per-share growth going forward. Today, Algonquin yields a 4.7% dividend. It will likely grow its dividend annually by the same rate as earnings. With a price-to-earnings multiple of 13 today, this utility stock looks attractively priced for the long run.

A very cheap TSX technology stock

Technology stocks are synonymous with being overvalued. However, that is not the case for **Enghouse Systems** (TSX:ENGH). It provides a wide array of communication and niche vertical software services for the public and private sector. The company had a record-breaking 2020, as customers flocked to its video conferencing services. However, that demand has pulled back to more normal levels. Its stock is down 25% this year.

Today, Enghouse only trades for 13 times next year's EBITDA and 16 times free cash flow. For a company with +30% EBITDA margins and around 15% annual growth, this stock seems cheap. Enghouse's businesses consistently produce very high free cash flows.

In fact, around 8% of its $2.2 billion market capitalization is cash. Since technology valuations are declining lately, Enghouse may be in a strong position to deploy its cash balance into growth accretive acquisitions. You need to think very long term with this TSX stock. However, I believe patience and an iron stomach will pay off for patient investors.

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