
# 3 Undervalued TSX Stocks to Buy in 2022

### Description

Valuations will play a crucial part in 2022 amid expectations of higher interest rates. Investors should be particularly picky about investing in growth stocks. Here are three top undervalued TSX stocks to consider.



## Tourmaline Oil

Canada's largest natural gas producer **Tourmaline Oil** (TSX:TOU) is flush with cash, and more special dividends could come in 2022. The company delighted shareholders with a generous special and three ordinary dividend increases in 2021. More cash distribution could follow with expectations of higher free cash flow in 2022.

The company generates two-thirds of its revenues from natural gas. Tourmaline saw massive growth in cash flow from operations in the last 12 months. Higher gas prices driven by increasing demand boosted the energy company's financials during this period.

In addition, higher operational efficiency expanded its profit margins in 2021. Interestingly, management expects $2.8 billion of free cash flow in 2022, a notable jump from $1.5 billion free cash this year.

If management's view materializes, Tourmaline could well be in a position to issue a few more specials next year. Also, excess cash will likely further improve Tourmaline's balance sheet strength as it did in 2021.

TOU stock has been one of the top gainer TSX stocks from the energy sector, gaining 135% in 2021. Importantly, the stock is currently trading seven times its earnings, indicating a huge growth potential.

## Enbridge

Canadian energy infrastructure giant **Enbridge** (TSX:ENB)(NYSE:ENB) could be another attractive pick for 2022. This undervalued stock with juicy dividend yield make it an appealing bet for discerned investors.

Enbridge expects its cash flow per share to increase by 10% in 2022 against 2021. A large portion of its cash flows come from long-term, fixed-fee operations. This enables earnings stability and bodes well for dividend growth.

Enbridge has increased its dividend for the last 27 consecutive years. It currently yields 7%, way higher than TSX stocks at large. Investors can expect consistently growing dividends from ENB driven by its stable cash flows and relatively lower exposure to volatile energy prices.

ENB stock returned almost 30% in 2021. Despite a decent run, the stock is trading 17 times earnings. That looks cheap compared to its peers and implies a strong growth potential.

## Toronto-Dominion Bank

Canada's second-largest bank, **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) looks well placed to outperform next year. TD stock returned 40% this year, in line with its peers. However, its significant U.S. presence, superior credit quality, and strong balance sheet stand tall among peers.



Toronto-Dominion Bank reported a net income of $1.6 billion for the 12 months ended October 31, 2021. This was a remarkable jump from a net income of $619 million in 2020. Strong economic growth amid re-opening will likely continue above-average financial growth for TD Bank.

TD stock is currently trading 12 times its earnings, lower than its historical average. Many Canadian bank stocks are trading at a cheaper valuation against their historical averages. However, TD looks better given its scale and a large share south of the border.

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3. TSX:ENB (Enbridge Inc.)
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**Date**
2025/08/25
**Date Created**
2021/12/31
**Author**
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