3 Undervalued TSX Stocks to Buy After the Recent Selloff

Description

Canadian stocks at large have fallen 5% from all-time highs recently. While the fall has been less brutal than south of the border, TSX stocks seem to trade at a relative discount at the moment.

The **S&P/TSX Composite Index** is currently trading at a price-to-earnings multiple of 19, while the **S&P 500** is trading at 24. Rallying energy prices, expected economic expansion, and strong corporate earnings growth could drive TSX stocks higher in 2022.

Here are some of the undervalued Canadian stocks that offer solid growth prospects.

goeasy

Canada's top consumer lender stock **goeasy** (TSX:GSY) fell to nine-month low levels during the recent selloff. However, GSY stock is sitting on handsome gains of 55% for the last 12 months, despite a steep decline.

Consumer lending is a fragmented industry in Canada, valued at approximately $200 billion. GSY caters to a large population of non-prime borrowers that Big Six banks do not serve.

The company's adjusted net income has grown by 31% CAGR since 2001. That's quite a feat for such a risky industry. That's why the stock appropriately rewarded shareholders, returning a massive 6,700% in the last two decades.

Several reasons suggest the strong growth potential of this $2.3 billion lender. Its point-of-sale and auto loan segments could be the crucial growth pillars for the next few years. Loan originations have already been rising, which should turn even higher amid full re-openings.

Furthermore, the stock is trading nine times its earnings — way lower than its five-year average of 13. So, patient investors could earn decent rewards with GSY stock in the long term.

Birchcliff Energy

Birchcliff Energy (TSX:BIR) stock is up almost 200% in the last 12 months. Despite such a steep surge, the stock is trading at seven times its earnings. That's remarkably cheap against peers' average of 14. That underlines its huge potential for growth in 2022 and beyond.

Birchcliff is a $1.7 billion energy producer with 80% gas-weighted production. While natural gas prices have almost doubled since last year, they will likely remain strong this year as well. Such strength could notably boost producers' earnings in the next few quarters.

To echo the sentiment, Birchcliff management issued upbeat guidance for the next few years. Its expected higher free cash flows, driven by higher gas prices, will likely be used to repay debt, ultimately improving its balance sheet strength.

B2Gold

Canadian miner **B2Gold** (TSX:BTO)(NYSE:BTG) has been underperforming markets for a while now. But it is an attractive proxy for the yellow metal. It is currently trading at eight times its earnings, which is lower than its peers.

B2Gold is a low-cost gold producer with an attractive balance sheet. Its revenues have almost tripled, while its net income has increased 10-fold since 2016.

The company managed to keep its all-in sustaining costs well under control all these years, which boosted its margins.

BTO's steady profitability, discounted valuation, and decent dividends make it an attractive bet. However, if you are looking for an investment horizon that's less than two to three years, B2Gold might not be an attractive pick. This Canadian miner will likely make money for more patient investors.

CATEGORY

1. Investing

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1. NYSEMKT:BTG (B2Gold Corp.)
2. TSX:BIR (Birchcliff Energy Ltd.)
3. TSX:BTO (B2Gold Corp.)
4. TSX:GSY (goeasy Ltd.)

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