



4 Value Stocks That Could Deliver Superior Returns in 2022

Description

With the Federal Reserve indicating it will hike interest rates this year, I expect value stocks to outperform growth stocks. Higher interest rates could increase borrowing costs, thus hurting the margins of growth stocks, which require higher capital to fund their growth initiatives. So, here are the four [value stocks](#) that could outperform the broader equity markets this year.

goeasy

Amid the recent correction in the broader equity market, **goeasy** ([TSX:GSY](#)) has lost over 32% of its stock value compared to its September highs. The pullback has also dragged its valuation down, with its forward price-to-earnings multiple standing at 12.9. Meanwhile, the company's growth prospects look healthy. The improvement in economic activities could drive its loan portfolio. The company is strengthening its digital assets, venturing into newer markets, and increasing its penetration to drive growth.

Given the favourable business environment and its growth initiatives, goeasy's management expects its loan portfolio to reach \$3 billion by the end of next year, representing a 50% growth from \$2 billion in December 2021. Meanwhile, the company also rewards its shareholders by raising its dividend at a healthy rate, which is encouraging. So, given its healthy growth prospects and attractive valuation, [I expect goeasy to outperform this year](#).

Savaria

My second pick is **Savaria** ([TSX:SIS](#)), which produces and markets mobility solutions. The company has been under pressure over the last few months, with its stock price falling close to 20% in the previous four months. Amid the correction, the company's forward price-to-sales and forward price-to-earnings ratios have declined to 1.6 and 21.9, respectively.

Meanwhile, the demand for the company's products could grow in the coming quarters amid an aging population and rising income levels. Meanwhile, the company has expanded its product offerings,

strengthened its production capabilities, and broadened its distribution network through the acquisition of Handicare. The acquisition could also diversify its revenue streams while improving efficiency. Meanwhile, it also rewards its shareholder with a monthly dividend. Its forward yield currently stands at 2.76%. So, I am bullish on Savaria.

Suncor Energy

Amid supply constraints, rising geopolitical tensions, and increasing demand, oil prices have crossed \$85/barrel. Meanwhile, analysts are projecting oil prices to rise further to reach \$100 /barrel this year. Higher oil prices could boost the profitability of oil-producing companies, such as **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). Meanwhile, the company has strengthened its production capabilities and [expects](#) to boost its upstream production by 5% this year.

The management expects its refinery utilization rate to increase amid the growing demand for petroleum products. Also, its cost-cutting initiatives, lower debt levels, and share repurchases could boost its financials in the coming quarters. Despite its healthy growth prospects, Suncor Energy trades at an attractive forward price-to-earnings multiple of 8.3. Additionally, the company had doubled its quarterly dividend to \$0.42 per share in October, with its forward yield at 4.63%.

Algonquin Power & Utilities

My final pick is **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)), which trades at a 20% discount from its 52-week high. Amid the steep pullback, the company's forward price-to-earnings multiple has declined to 18.6. Meanwhile, the company operates low-risk businesses and highly regulated, renewable power-producing facilities that generate stable and predictable cash flows.

Meanwhile, Algonquin Power & Utilities plans to invest around \$12.4 billion over the next five years, expanding its utility and power-producing assets. Along with these investments, its strong underlying businesses, favourable rate revisions, and strategic acquisitions could boost its financials in the coming quarters. So, Algonquin Power & Utilities could be an excellent buy in this volatile environment. Also, it pays a quarterly dividend, with its forward yield at 4.78%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:GSY (goeasy Ltd.)
5. TSX:SIS (Savaria Corporation)
6. TSX:SU (Suncor Energy Inc.)

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