



These 2 Cheap Canadian Stocks Could Deliver Superior Returns in 2022

Description

With the easing of concerns over the spread of the Omicron variant and rising commodity prices, the **S&P/TSX Composite Index** has bounced back strongly to trade just 0.9% below its all-time high. Despite the recovery, the following two Canadian companies are trading at a significant discount from their respective all-time highs, providing an excellent buying opportunity.

Suncor Energy

Amid the rising geopolitical tensions in Eastern Europe and continued supply constraints, oil prices have touched an eight-year high and are currently trading around \$90/barrel. Meanwhile, many analysts expect the momentum in oil to continue and reach \$100/barrel this year. Higher oil prices could drive the financials of oil-producing companies, such as **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)).

Earlier this month, the company reported lower-than-expected fourth-quarter performance amid operational challenges during the latter half of December, which negatively impacted its production. Year-over-year, the company's upstream production fell from 769,200 barrels of oil equivalent per day to 743,300. However, supported by higher oil price realization, the company's adjusted operating earnings per share came in at \$0.89, representing a significant improvement from an operating loss per share of \$0.07.

Amid strong cash flows, Suncor Energy also strengthened its balance sheet by lowering its debt by \$3.7 billion to \$16.1 billion by the end of last year and returned \$3.9 billion to shareholders through share repurchases and dividends. Meanwhile, I expect the uptrend in the company's financials to continue amid higher production, increased refinery utilization rate, and higher oil prices. The management expects its upstream output to increase by 5% this year. Despite its healthy growth prospects, the company is trading lower than its pre-pandemic levels. Also, its forward price-to-sales and forward price-to-earnings multiples stand at an attractive 1.1 and 8.8, respectively. So, I expect [Suncor Energy to outperform the broader equity markets this year](#).

Absolute Software

On Tuesday, **Absolute Software** ([TSX:ABST](#))([NASDAQ:ABST](#)) reported an [impressive second-quarter performance](#), beating analysts' expectations. Its revenue came in at \$49 million. However, its adjusted revenue stood at \$52.9 million, representing year-over-year growth of 77%. With more companies migrating towards a hybrid work model, the demand for endpoint security solutions has increased, benefiting the company.

At the end of the quarter, the company had 13.4 million active endpoints, representing an increase of 16% from the previous year's quarter. Its ARR (annual recurring revenue) grew 66% to \$195.6 million, while its net dollar retention was at 107%. Amid the revenue growth, the company's adjusted EBITDA also increased from \$8.0 million to \$13.8 million. It also generated operating cash of \$14.7 million during the quarter.

After reporting an impressive second-quarter performance, Absolute Software's management raised its revenue and EBITDA margin guidance. Now, the company expects its revenue to come in the range of \$206-\$208 million, while its adjusted EBITDA margin could come in at 22%-24%. Given its new product launches and up-gradation of its earlier platforms, the company is well-positioned to capture the rising demand for endpoint security solutions.

Despite its healthy growth potential, the company is trading at over a 50% discount from its 52-week highs. Also, its forward price-to-sales multiple stands at an impressive 2.3. So, I am bullish on Absolute Software. Notably, **TD Securities** upgraded the stock to 'buy' yesterday while raising its price target to US\$13, representing an upside potential of 35.3%. Overall, five of the six analysts covering the stock have issued a 'buy' rating. Their consensus price target represents an upside potential of 65%.

CATEGORY

1. Energy Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:ABST (Absolute Software)
4. TSX:SU (Suncor Energy Inc.)

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