2 Undervalued Canadian Stocks to Buy This Spring

Description

After a stellar run between March 2020 and December 2021, equity markets have taken a breather in recent trading sessions. Investors are rightfully concerned over a variety of macro-economic factors that include rising inflation numbers, interest rate hikes, the ongoing war between Russia and Ukraine, supply chain disruptions, and more.

There is a good chance the stock market will remain volatile in the near term. But as it's impossible to time the market bottom, every major correction in share prices should be viewed as a buying opportunity. We'll look at two such undervalued Canadian stocks investors can buy right now.

goeasy

One of Canada's leading non-prime consumer lenders, **goeasy** (TSX:GSY) has returned 2,300% to investors in dividend-adjusted gains since March 2012. In Q4 of 2021, it generated $507 million in loan originations — an increase of 52% year over year compared to $334 million in the year-ago period.

The company explained robust growth in loan originations led to organic growth in its loan portfolio of $134 million, allowing it to end the year with a gross consumer loan receivable portfolio of $2.03 billion compared to $1.25 billion in 2020.

goeasy's stellar growth in consumer loans allowed it to increase sales to $234 million — an increase of 35% year over year in Q4. Its operating income also surged by 30% to $79.6 million in Q4 of 2021.

Valued at a market cap of $2.23 billion, analysts expect goeasy to increase sales by 19.3% to $985 million in 2022 and by 14% to $1.12 billion in 2023. Comparatively, its adjusted earnings are forecast to rise at an annual rate of 12% in the next five years.

GSY stock is trading at a forward price-to-sales multiple of 2.33 and a price-to-earnings multiple of 11.5, which is quite reasonable. The company also increased its dividend by 38% year over year to $3.64 per share, indicating a yield of 2.7%.

goeasy began paying investors a quarterly dividend back in 2024, and it has increased these payouts at an annual rate of 19% in the last 18 years.

Canada Goose

A retail heavyweight, **Canada Goose** (TSX:GOOS)(NYSE:GOOS) shares are down 64% from all-time highs, valuing the company at a market cap of $3.5 billion. Canada Goose is known for its winter parkas — a seasonal product that accounts for the majority of sales.

In the fiscal third quarter of 2022 that ended in December, Canada Goose increased sales to $586 million compared to sales of $474 million in the year-ago period. Its adjusted earnings per share surged to $1.42 from $1.01 in this period.

Canada Goose emphasized that non-parka sales in Q3 were up 75% year over year, indicating the company aims to move past a single product. It's on track to increase sales by 21.7% to $1.1 billion in fiscal 2022 while analysts expect revenue to rise by 18% to $1.3 billion in fiscal 2023. Bay Street also estimates Canada Goose to increase adjusted earnings at an annual rate of 35% in the next five years.

Canada Goose stock is valued at a forward price-to-2023-sales multiple of 3.2 and a price-to-earnings ratio of 20.5, which is really cheap.

Given consensus price target estimates, Canada Goose stock is trading at a discount of 44%. Similarly, the upside potential for GSY stock is significantly higher at 65%.

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3. TSX:GSY (goeasy Ltd.)

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