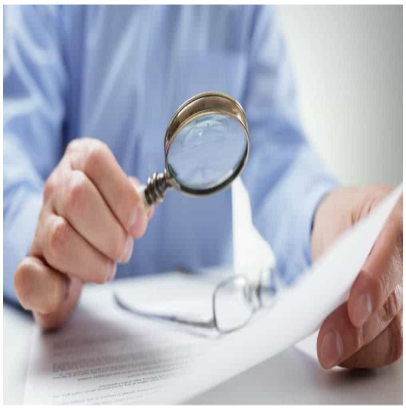

2 Dirt-Cheap TSX Mid-Cap Stocks to Watch Closely

Description

Mid-cap TSX stocks have been quite the turbulent ride in the first quarter. Although large-cap stocks and blue-chip studs may be the best way to weather any future recession (yes, the yield curve inversion could induce recession and stagflation fears over the coming weeks), I'd argue that value in some of the hidden gems is worth backing if you've got a long-term horizon beyond five years.

Mid-cap investing won't be everyone's cup of tea. The waters tend to be more volatile. But if you're willing to roll up your sleeves and put in the extra analysis involved, I think that the extra choppiness of names is completely worth putting up with!

Mid-cap TSX stocks: Ripe to buy?

In this piece, we'll have a closer look at some cheap mid-cap TSX stocks that I wouldn't hesitate to nibble on, even in the face of a potential recession. Now, nobody knows if the yield curve will be right this time around. Regardless, the following mid-caps seem priced with a margin of safety such that even the next recession will not be nearly as devastating.

Recessions are formidable beasts. And although you should be prudent with the yield curve flashing red, I don't think panic is the right course of action if you're in it for the long haul. Remember, when there's fear and panic on Bay Street, the best prices tend to be available for contrarians.

Look at **Jamieson Wellness** (TSX:JWEL) and **Badger Infrastructure Solutions** (TSX:BDGI).

Jamieson Wellness

Jamieson has all the traits of a marvelous business. It creates a differentiated product in a somewhat defensive VMS (vitamin, mineral, and supplements) industry that benefits from long-lived secular trends. Health and wellness are trends that will hold up for many years, even if we're dealt the occasional market dip. At nearly 100 years old, the company is one of the oldest in Canada. Over that time, it's built a brand that's capable of allowing above-average pricing power — vital for inflationary or stagflationary times!

The stock is back at mid-2020 levels at $34.75 per share. With a solid 1.7% dividend yield, I'd argue that the firm is a great relative value at 27.8 times earnings (still a tiny bit rich for some value investors), given its defensive characteristics and longer-term tailwinds within the wellness space.

Vitamins may be boring, but they're vital. And demand looks robust as the firm looks to navigate out of challenging times en route to a potentially prosperous growth path.

Count me as a fan, as the stock dips towards its support in the $30 range! At such a level, I'd look for the P/E multiple to drop below 24 — a reasonable level I'd look to jump in at.

Badger Infrastructure

Badger may be viewed as a dangerous Canadian stock to avoid by some, but I think investors have a lot to gain by giving the battered infrastructure play a chance. The company is a mobile hydrovac-leveraging soil excavator. It digs up buried infrastructure that may too risky to unground by traditional means. The nature of Badger's service is environmentally friendly, given it's non-destructive, making its solution vital to pipeline firms and other companies within the O&G space.

The Calgary-based company has faced challenges amid the COVID crisis, to say the least. The stock has been severely punished, falling around 47% from around $49 per share to $31.21 per share, where shares of BDGI currently sit today.

The $1 billion company is heavily out of favour, but with room to improve on the operations front, I see elevated upside versus the risks. Indeed, Badger also serves a lot of O&G (oil and gas) clients. As commodity prices remain elevated, I expect the benefits will eventually spread to Badger. It just needs to take care of its baggage. Then, it may prove challenging to stop the firm, even as risks of an economic contraction rise in the U.S.

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