3 Surprisingly Undervalued TSX Stocks to Buy Now

Description

The TSX remains in record territory, despite the 0.65% dip mid-week. Six of the 11 primary sectors retreated, although utility stocks saved the day with the sector advancing 1.41%. Meanwhile, investors can take advantage of several buying opportunities.

Enghouse Limited (TSX:ENGH), **Dollarama** (TSX:DOL), and **Stingray Group** (TSX:RAY.A) are among the TSX's undervalued stocks today. The share prices are surprisingly cheap, but they could multiply in value in the medium term.

Visible growth

Tech stocks are outside investors' radars currently, but Enghouse is worth looking into. The $2.2 billion company provides enterprise software solutions globally. While revenue dipped 6.7% in Q1 fiscal 2022 (quarter ended January 31, 2022), versus Q1 fiscal 2021, volumes have returned to pre-pandemic levels.

Net income for the quarter increased 4.6% to $21.59 million compared to the same quarter in the previous year. At the quarter's close, Enghouse had $214.8 million in cash, cash equivalents, and short-term investments. More importantly, external debt is zero. For fiscal 2022, management commits to continue with its two-pronged strategy to grow earnings.

Enghouse's focus is internal growth and acquisitions, which it funds through operating cash flows. The shift towards cloud offerings in the contact centre market plus the U.S. Automated Fare Collection market are its growth opportunities.

This technology stock is also a rare gem because it pays dividends. In Q1 fiscal 2022, the payout increased by 16%. It was the 14th consecutive year the dividend yield has increased by more than 10%. Based on market analysts' 12-month average forecast, the current share price of $39.70 could climb 27.6% to $50.67. If you invest today, the dividend yield is 1.85%.

Complementing investments

Dollarama boasts a resilient business model and is excellent for risk-averse value investors. The impressive operational and fiscal results of this $21.96 billion company in fiscal 2022 reflects in the stock's performance. At $75 per share, current investors enjoy an 18.56% year-to-date gain on top of the modest 0.28% dividend.

In the year ended January 30, 2022, sales, EBITDA, and operating income increased 7.6%, 13.4%, and 14.4%, respectively, versus fiscal 2021. According to management, Dollarama is well positioned to pursue its profitable growth, notwithstanding the complex environment.

A complementing investment to Dollarama is Stingray Group. The value retailer is now part of the latter's retail media network. The $499.27 million global music, media, and technology company is a premium provider of curated direct-to-consumer and B2B services.

Stingray, through its proprietary streaming media technology, will produce and dynamically insert digital audio advertisements within Dollarama stores. Because of the connection to the retail audio network, Dollarama advertisers can reach and connect with shoppers at the point of sale.

The share price is relatively cheap at $7.08 per share. Besides the potential climb to $10 based on analysts' price forecast, the overall return to prospective investors should be higher due to the 4.24% dividend.

Good entry points

Enghouse, Dollarama, and Stingray are undervalued vis-à-vis their business growth potential. The stocks are likely to multiply in value in the medium term, and, therefore, the current share prices are good entry points. More importantly, there are recurring income streams from the dividends.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:ENGH (Enghouse Systems Ltd.)
3. TSX:RAY.A (Stingray Group Inc.)

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