Underrated and Oversold: 1 TSX Mid-Cap Stock to Buy in June

Description

Many TSX mid-cap stocks have taken a huge punch to the gut in recent months. Understandably, smaller-cap stocks are bound to experience greater volatility than their larger-cap counterparts. The big blue chips and mega-caps tend to hold their own better in the face of a market panic.

Though mid-caps are harder to stomach, they are capable of helping investors score greater returns over the long haul. With careful valuation and analysis, investors can improve their chances of spotting a mid-cap stock that's trading at a considerable discount to its intrinsic value. Indeed, when fewer investors keep watch on a certain name, there's an increased probability of a market mispricing.

Mid-cap Canadian stocks look attractive

Now, market mispricings can happen in both directions. A mid-cap stock can be more overvalued and stay that way for a longer period — hence, the greater risk of volatility and corrections. Still, for those seeking to beat the stock markets over the long run, there are a lot of hidden gems to be had out there, especially in today's market.

Mid-cap investing isn't for everyone. But if you're a long-term investor who's relatively young, there is a strong case for owning them today, while valuations across the board are depressed. Further, stock pickers can take advantage of those moments of market inefficiency. Mr. Market may be decent at his job during normal times. But in times of turmoil, he's pretty terrible at pricing stocks at close to their intrinsic value.

MTY Food Group stock: A mid-cap stock that offers great value

In this piece, we'll look at **MTY Food Group** (TSX:MTY), a TSX mid-cap stock you're less likely to hear about, given its mere $1.29 billion market cap and the mega-caps that tend to hog the headlines in the mainstream financial media.

MTY is the king of the food court. The firm, which owns a wide range of casual dining and fast-casual restaurant brands, faced a brutal headwind when the pandemic hit. When lockdowns were widespread, the shopping malls were deserted, and food courts faced a dissipation of sales. Indeed, the crash in MTY stock proved overblown, as malls eventually opened, and the firm's sales began to climb higher again.

MTY stock eventually recovered in the middle of 2021. Since then, though, the stock has been in a funk again, plunging around 30% from peak to trough, slightly below pre-pandemic 2020 highs. With a recession potentially on the horizon, consumer spending could take a hit. Evidence of changing consumer trends is already here. Less spending means less time at the mall and less money spent at the food court. Undoubtedly, MTY is a more recession-sensitive firm that its quick-serve restaurant rivals.

After the recent slip, the stock trades at 14.8 times trailing earnings alongside a 1.6% dividend yield. If a recession isn't severe, MTY stock could rally above the $60 per-share range. Given Canada has remained resilient, with slightly less inflation than in the states, I'd argue that MTY stock is a compelling play that may be oversold and undervalued.

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