3 TSX Stocks Trading at Absurd Discounts

Description

On June 3, 2022, the **TSX** gave back nearly all of its 318.10 points gain from the previous day, closing lower at 20,790.70. The market reacted negatively to the news that more aggressive rate hikes are inevitable in the coming months. Several stocks also fell to either their all-time or 52-week lows.

A regional bank, a specialty insurer, and an electric vehicle (EV) manufacturer didn't hit rock bottom but traded at absurd discounts. **Canadian Western Bank** (TSX:CWB), **Trisura Group** (TSX:TSU), and the **Lion Electric** (TSX:LEV)(NYSE:LEV) are exciting options for value investors.

Higher rates are significant tailwinds

CWB is down 15.86% year to date, although Canada's seventh-largest bank had better-than-expected results in Q2 fiscal 2022. Moreover, management announced a 7% hike in its quarterly dividend (3% from Q1 fiscal 2022) during the earnings release. At $30.29 per share, the dividend offer is an attractive 4.05%.

In the three months ended April 30, 2022, total revenue and common shareholders' net income increased 5% and 3%, respectively, versus the same quarter in fiscal 2021. CWB's loans and branch-raised deposits also increased by 9% and 10% year over year.

Chris Fowler, CWB's president and CEO, said, "Our teams have built robust pipelines of full-service client opportunities that are already driving strong post-quarter growth. We are confident that we will achieve annual double-digit loan and deposit growth this year." He added that a rising interest rate environment will provide a significant tailwind as CWB moves into next year.

Top 30 growth stock

Trisura's underperformance year to date (-27.55%) does not reflect the business' strong start to 2022. Its president and CEO David Clare said, "Our business performed well in the quarter, recording our highest quarterly net income to date of $21.1 million."

In the quarter ended March 31, 2022, the $1.42 billion specialty insurance provider reported a 55.2% increase in gross premiums written compared to Q1 2021. Notably, net income rose 9% year over year to $21.1 million. Mr. Clare credits the expansion of market share and maturation of Trisura's platform for the impressive premium growth.

Because of sustained growth and strong underwriting, supported by investment income, Trisura's return on equity was 18.7%. Performance-wise, the total return of this insurance stock in 3.01 years is 357.62% (65.72% CAGR). The 2021 TSX30 winner (rank number three) trades at $34.55 per share if you invest today. Market analysts see a 51.8% upside in 12 months.

Positive profits are coming

Lion Electric has fantastic growth potential as EV demand accelerates. The share price of $6.76 (-45.92% year to date) is a good entry point, given the bullish sentiment of market analysts. Their 12-month average price target is $12.74, or an 88.5% return potential.

This $1.28 billion company is the leading manufacturer of all-electric medium and heavy-duty urban vehicles. In Q1 2022, total revenue soared 263.8% versus Q1 2021. Remarkably, Lion Electric posted a net income of US$2.1 million compared to the $16.11 million net loss in the same period last year.

Canadian Machinery analysts anticipate Lion Electric to incur a final loss in 2023. It would generate positive profits of US$61 million in 2024.

Imminent breakouts

Value investors should include CWB, Trisura, and Lion Electric in their buy lists this month. The three stocks are well positioned for a breakout in one year or less.

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2. TSX:CWB (Canadian Western Bank)
3. TSX:LEV (Lion Electric)
4. TSX:TSU (Trisura Group Ltd.)

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Date
2025/09/27
Date Created
2022/06/07
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