3 Value Stocks That Are Greatly Undervalued

Description

The **TSX** lost momentum heading into Q3 2022 owing to its 9.84% decline in one month. All the 11 primary sectors were in negative territory in the last 30 days. Surprisingly, energy (-17.34%) had the second-worst percentage decline after healthcare (-19.13%).

Despite last week's unpleasant performance, it should be a buyers' market for investors expecting a rebound. Notably, **goeasy** (TSX:GSY), **Surge Energy** (TSX:SGY), and **Frontera Energy** (TSX:FEC) are buying opportunities. All three are greatly, if not grossly undervalued. Their growth runways are long and breakouts are imminent.

Financial stock

Alternative lender goeasy continues to outperform thus far in 2022. At $98.10 per share, current investors are losing by 44.4% year to date. Nevertheless, market analysts covering the financial stock are bullish. Their 12-month average price target is $204.22, or a return potential of 108%.

The $1.55 billion provider of non-prime leasing and lending services experienced improved loan demand and increased loan originations in Q1 2022. However, it doesn't reflect on the stock's performance. In the three quarters ended March 31, 2022, the $447 million in loan origination was the second-largest organic growth in a quarter for goeasy.

Notably, the increase in loan originations raised the loan portfolio to $124 million — a record level of first-quarter loan growth. The total gross consumer loan receivable portfolio of $2.15 billion increased 69% versus Q1 2021. Because of the strong growth in consumer loans, total revenue climbed 36% year over year to $232 million.

Management also reported $45.8 million in adjusted net income, which represents a 25% increase over the same quarter last year. Jason Mullins, goeasy's president and CEO, said, "The first quarter continued to highlight the growth potential of our business model." He emphasized that the material increase in loan growth happened, notwithstanding the typically seasonally slower period.

Mullins added that the proven resiliency of the non-prime lending model provide confidence in the future. He said, “We now project to achieve the high-end of our loan book growth range, which is more than double the average loan book growth of the last three years.”

Energy stocks

The energy sector is still TSX’s brightest spot with its 39.79% year-to-date gain. However, the **TMX Group’s** website lists Surge Energy and Frontera Energy as the undervalued stocks in the best-performing sector. The former is a top price performer with a 107.3% year-to-date gain, while the latter is up by only 1.07% thus far in 2022.

Surge Energy trades at $9.11 per share and has reinstated its monthly cash dividend ($0.035) after management announced an integrated business strategy of returning capital to shareholders. The $759.4 million intermediate light and medium gravity oil producer anticipates significantly higher cash flow from operating activities in 2022 due to rising crude prices.

Frontera operates in South America and has assets in Colombia, Ecuador, Guyana, and Peru. This $963.63 million company develops and produces crude oil and natural gas. In Q1 2022, net income reached a record $102.2 million compared to the $14.2 million net loss in Q1 2021.

Imminent turnaround

Alternative lenders like goeasy are likely to attract attention in a rising interest rate environment. Surge and Frontera have lost by more than 10% in the last three years but should be due for a strong rebound in a favourable pricing environment.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

TICKERS GLOBAL

1. TSX:FEC (Frontera Energy Corporation)
2. TSX:GSY (goeasy Ltd.)
3. TSX:SGY (Surge Energy Inc.)

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