



2 Top Undervalued TSX Stocks to Buy Right Now

Description

Stocks with lofty valuations have been quite weak this year. Increasing interest rates amid the inflationary environment have pulled many high-growth stocks down by 40-70% in 2022. Interestingly, the trend could continue with inflation still unbending and steeper rate hikes approaching. TSX stocks with reasonable valuations could continue to play well in the current scenario.

Here are two such Canadian names that could continue to outperform.

Birchcliff Energy

Natural gas prices have almost doubled since last year, and so has **Birchcliff Energy** ([TSX:BIR](#)) stock. Yet despite such a steep rise, BIR stock is still trading six times its earnings. That underlines a massive discount compared to its historical average and to peers.

Interestingly, Birchcliff saw handsome earnings recovery and free cash flow growth since the pandemic. In Q1 2022, Birchcliff Energy reported a net income of \$127 million, representing a 450% surge year over year. Moreover, the company has aggressively repaid its debt and rewarded shareholders with dividends this year.

Birchcliff will report its second-quarter earnings on August 17. The company will most likely report a massive earnings growth, driven by record gas prices during the quarter. Apart from the earnings growth, whether it further increases dividends will be interesting to see.

Energy producing companies are registering massive gains in the last few quarters, thanks to rallying [oil and gas prices](#). They will likely remain higher due to improving demand and supply constraints driven largely by tensions in Europe.

Thus, natural gas producer stocks like BIR could soon change course, despite the recent weakness. Birchcliff's strong dividend and earnings growth prospects, coupled with rallying gas prices, place it on a solid footing.

Nutrien

Canada's leading crop nutrient company **Nutrien** ([TSX:NTR](#))([NYSE:NTR](#)) stock looks attractive at its current levels, mainly after its recent correction. The stock has lost 40% since April and is currently trading at \$102. Lower fertilizer prices on recession fears weighed on NTR stock recently.

However, considering the demand-supply imbalance and ongoing tensions in Europe, fertilizer prices could soon trend higher. Nutrien could be among the very few players, which could satisfy the higher global potash demand. It has the excess capacity that can boost production significantly.

This will likely bode well for its earnings for the next few quarters. Nutrien saw substantial earnings boost in the last few quarters. Moreover, the strong earnings growth prospects still do not seem to have priced in its stock price. NTR is currently trading 10 times earnings and looks discounted. The stock could change course on its superior quarterly performance expectations and potential rally in fertilizer prices.

Even though NTR stock looks undervalued and offers appealing strong growth prospects, it could be a risky bet for conservative investors given the business's cyclical nature.

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3. TSX:NTR (Nutrien)

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Date

2025/07/01

Date Created

2022/07/20

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