2 Top TSX Stocks Look More Attractive After a Recent Correction

Description

While TSX stocks have fallen 10%, some Canadian bigwigs have dropped 70-80% this year. The recent correction has made some of them look more attractive ahead of a recession. Here are some of the top Canadian names that offer handsome growth prospects.

Canadian Natural Resources

As oil and gas prices kept rising, for the most part, this year, energy producers were top performers. **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ), the biggest Canadian energy company by market cap, saw some of the best rallies in decades. However, CNQ stock has fallen 25% since June amid the tumbling oil prices due to recession fears.

What makes CNQ attractive is its undervalued stock, strong earnings-growth prospects, and healthy dividend profile. Canadian Natural will report its second-quarter earnings on August 4. This will again be a blockbuster quarter for a leading energy producer, thanks to record oil prices during the quarter. Apart from earnings growth, rapid debt repayments will further improve its balance sheet strength, as seen in the last few quarters.

Moreover, strong Q2 earnings growth does not seem priced in its stock yet. So, CNQ could rally back again to its previous record highs around its quarterly earnings. Higher-than-expected free cash flow growth could result in another round of dividend hikes soon.

CNQ stock currently yields a decent 4.6%, which is higher than TSX stocks. Its consistent payout growth streak makes its dividends reliable for long-term investors.

Also, CNQ stock is trading eight times earnings after the recent pullback. An energy giant with superior growth prospects and juicy dividends trading in single digits is nothing short of a steal.

BRP

Canada's powersports vehicle maker stock **BRP** (TSX:DOO)(NASDAQ:DOOO) has fallen 20% this year. While challenges like declining discretionary spending amid a looming recession and supply chain issues could weigh, its current discounted valuation makes it an appealing bet.

DOO stock is currently trading 10 times its earnings and looks more undervalued than its historical average. However, a not-so-severe recession could drive a rapid recovery in travel and consumer spending, ultimately triggering a revival in BRP stock. In addition, the challenges discussed above seem more than priced in the stock price.

BRP has a dominating presence in its market with its top brands like Sea-Doo and Ski-Doo. For the fiscal year 2022, the company has seen a 30% surge in its revenues and a more than 100% jump in net income year over year. And it's not a one-time thing. BRP has seen superior financial growth for the last several years. Since 2013, its revenues have grown by 13% CAGR, and its net income has increased by 22% CAGR.

BRP looks appealing because of its discounted stock and upbeat management guidance. Thus, the recent correction could be a decent opportunity for long-term investors.

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