



3 UNDERVALUED TSX Stocks to Buy in August

Description

Markets have seen a decent recovery since last month after a brief hiatus. But some TSX stocks are still trading well below their fair values. Here are three such stocks that offer attractive growth prospects for the long term.

Birchcliff Energy

Despite the steep run-up this year, TSX energy stocks continue to look undervalued. **Birchcliff Energy** ([TSX:BIR](#)) is one of them. It has rallied 50% this year but is still trading six times its earnings.

Birchcliff announced its second-quarter (Q2) earnings on August 10, 2022. As expected, it reported solid performance in Q2, thanks to a strong price environment and higher production.

Its cash flow from operations jumped a massive 238% year over year to \$274 million for the quarter that ended on June 30. The windfall gains were largely used for deleveraging, substantially strengthening its balance sheet.

Birchcliff management announced its plans to issue dividends of at least \$0.80 per share from next year, an almost 10-fold increase from the current levels. Superior expected dividend growth underlines the company's strong balance sheet and solid earnings prospects.

Interestingly, higher oil and gas prices compared to last year will likely continue to boost energy companies' earnings. So, undervalued names like BIR could continue to unlock meaningful shareholder value.

goeasy

Canada's top consumer lender **goeasy** ([TSX:GSY](#)) saw a massive recovery in the last few weeks, gaining almost 40% since mid-July. It looks in great shape given its solid Q2 performance, upbeat guidance, and fading recession fears.

goeasy lends to non-prime borrowers that traditional banks do not serve. Based on financial performance, the company management has underperformed and overachieved for the last several years. Its superior earnings growth in the previous decade is indeed noteworthy, despite being in a risky industry.

goeasy reported a 66% increase in loan originations to \$628 million in Q2 2022. Its net income nearly doubled to \$38 million for the quarter. Its expanding loan portfolio, prudent underwriting, and foray into new product lines will likely support its financial growth in the long term.

GSY stock is currently trading 10 times its earnings and looks attractively valued. Its stable dividends and robust earnings growth prospects make it an appealing bet at these levels.

TC Energy

A \$65 billion **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) operates oil and gas pipelines in North America. Its pipeline and energy infrastructure network control 25% of natural gas consumed across the continent. In addition, it also owns seven power plants of 4.2-gigawatt capacity that serve electricity to millions of homes.

Though it belongs to the energy sector, TRP is a relatively safe bet. This is because its earnings are not much influenced by volatile [oil and gas prices](#). Instead, it earns stable cash flows largely driven by fixed-fee, long-term contracts.

TRP yields a handsome 6%, way higher than TSX stocks. Investors can expect a steady increase annually in their dividends, as it grows its earnings.

Interestingly, TRP stock is trading at 20 times its earnings, lower than its peers. It has gained 8% this year, underperforming its peers. If you are looking to lock in an attractive yield with relatively lower risk, TRP stock seems like a decent bet.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:TRP (Tc Energy)
2. TSX:BIR (Birchcliff Energy Ltd.)
3. TSX:GSY (goeasy Ltd.)
4. TSX:TRP (TC Energy Corporation)

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Date

2025/06/27

Date Created

2022/08/11

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