3 Undervalued TSX Stocks to Buy Today

Description

As aggressive rate hike is expected to continue from central banks, valuations will increasingly drive shareholder returns. Here are three such TSX stocks that look attractive from a valuation perspective.

Vermilion Energy

There are several reasons to be bullish on **Vermilion Energy** (TSX:VET)(NYSE:VET) stock. Its large exposure to Europe operations and sky-high natural gas prices in the continent could notably boost its financials in the next few quarters.

The company is already seeing record free cash flow growth since the pandemic. As a result, Vermilion repaid debt and reinstated shareholder dividends this year. So, there have been improvements all around fundamentally, be it on the profitability or on the balance sheet front.

VET stock has rallied 305% since last year and 100% so far in 2022. Despite the surge, the stock is still trading at a 2022 free cash flow yield of 32%, which is way higher than average. It is trading seven times its earnings and looks far discounted.

TSX energy stocks will likely continue to outperform due to a strong price environment and relatively attractive valuation. Considering the balance sheet improvement, solid earnings, and dividend growth prospects, and undervalued stock, Vermilion Energy could outperform its peers.

goeasy

Canadian consumer lender **goeasy** (TSX:GSY) has been an immense value creator for the last several years. It has seen superior earnings growth all these years due to a large addressable market and its efficient operations.

GSY stock surged from $96 to $145 levels in late July. However, it has been equally quick to drop as well recently and lost 20% in late August. Despite the volatility, GSY is an attractive bet for long-term investors.

The company lends to non-prime borrowers at higher interest rates. It posted a 66% increase in loan originations to $628 million in the second quarter of 2022. Its net income nearly doubled to $38 million for the quarter. goeasy's large loan portfolio, careful underwriting, and new product lines like auto loans will likely support its earnings growth in the long term.

GSY stock is currently trading 2.4 times its book value, which is lower than its historical average. The stock will likely soar higher, driven by its handsome financial growth potential.

Nutrien

Canada's leading fertilizer company **Nutrien** (TSX:NTR)(NYSE:NTR) offers handsome growth prospects for long-term investors. The stock is currently trading 20% lower than its 52-week highs and looks attractive from a valuation standpoint.

Nutrien reported a net income of $5 billion in 2022 so far, an increase of more than four times compared to the same period last year. The growth was largely driven by solid production and a strong price environment. Moreover, fertilizers are expected to continue to trade in the higher price range mainly because of the war in Europe.

As a result, Nutrien might continue to see superior earnings growth in the next few quarters. Perhaps the stock is trading eight times its earnings and looks undervalued. Higher earnings growth and margin expansion with an attractive valuation will likely create notable shareholder value.

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1. Dividend Stocks
2. Investing

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2. NYSE:VET (Vermilion Energy)
3. TSX:GSY (goeasy Ltd.)
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5. TSX:VET (Vermilion Energy Inc.)

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