



## Canada's Top 3 Most Undervalued Stocks

### Description

Canada's stock market has been in a painful downturn this year. The **S&P/TSX Composite Index** is down 8.9% year to date. Most stocks have lost even more value than the index. This is bad news for investors exposed to [certain sectors](#) but excellent news for new investors looking for bargains.

The bear market has suppressed the valuation of all stocks, making some unjustifiably cheap. With that in mind, here are the top three most [undervalued stocks](#) in Canada right now.

### RioCan

Canadian real estate is at the epicentre of the economic crisis. Rising mortgage rates and overleveraged homeowners are Canada's biggest economic threats. Most experts agree that home prices are about to dip. That's why real estate investment trusts (REITs) are beaten down.

However, RioCan is a commercial landlord that seems unfairly punished. The company owns and manages commercial real estate for grocery stores and has little exposure to residential property. The stock trades at 78% of book value, which means buying a unit of RioCan stock is like buying a piece of its fantastic portfolio at a 22% discount.

The stock also offers a 5% dividend yield that's likely to rise. Rental yields have been rising across Canada this year. That means RioCan can expect more cash flow. Meanwhile, the company's payout ratio and debt ratios are comfortably low. The team has enough room to expand the dividend in the years ahead. That's why it's undervalued at the moment.

### WELL Health Technologies

A tech stock is an unlikely candidate for a list of undervalued stocks, but I believe **WELL Health Technologies** ([TSX:WELL](#)) deserves this exception. The company has lost 35.8% of its value year to date and is now trading at just \$3.27 per share. However, the company's underlying growth remains as strong as ever, and the valuation doesn't capture its future potential.

WELL Health is on track to generate \$550 million in revenue this year, while the company is worth \$746 million. That's a price-to-revenue ratio of 1.35.

The team also expects to be profitable on an adjusted basis this year. It generated \$17.2 million in adjusted net income in its most recent quarter. The stock is trading at 10 times this adjusted net income annualized with no growth expectations. However, WELL Health's revenue expanded 127% this quarter, so it's safe to assume it could see substantial net income growth, too.

Put simply, WELL Health is an undervalued growth stock that should be on your radar if you're looking to make a contrarian bet this year.

## Tamarack Valley Energy

Canada's energy sector is exceptionally cheap. That's because rising energy prices have created a windfall for these producers but investors remain cautious about the industry, so valuations haven't fully adjusted.

Put simply, it's fertile ground for bargains. One of the most attractive stocks in the sector is **Tamarack Valley Energy** ([TSX:TVE](#)), which targets oil and gas drilling sites that are highly reliable and offer higher-than-average rates of return.

The company's ongoing investments this year should boost free cash flow to \$600 million by next year. That means the stock trades at just 2.95 times next year's free cash flow. It also trades at just 10 times earnings per share. For bargain hunters, this is an ideal target.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)
2. TSX:TVE (Tamarack Valley Energy Ltd)
3. TSX:WELL (WELL Health Technologies Corp.)

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