2 of the Best TSX Growth Stocks to Buy in October

Description

Markets will likely remain volatile, as we enter the last quarter of the year. Unending geopolitical tensions, inflation, and rate-hike worries could continue to weigh on stocks. Still, some stocks will move higher due to their fundamental strength and supporting macro environment. Here are two such TSX stocks that could soar significantly higher.

Tamarack Valley Energy

Small-cap TSX energy stocks notably outperformed their larger counterparts during the first half of 2022. They were also to fall harder in the recent rout when oil prices tumbled. One such Canadian small-cap energy producer that looks strong in the current environment is **Tamarack Valley Energy** (TSX:TVE). It has dropped 41% since June — one of the laggards among peers.

Tamarack Valley Energy stock did not see any enthusiasm, despite its recent lucrative acquisition. It expanded its footprint in the Clearwater oil play, when it recently announced the acquisition of Deltastream Energy.

Notably, Clearwater is one of the most low-cost oil fields that has a free cash flow breakeven close to US$32 a barrel. So, after Charlie Lake, Clearwater is another rewarding oil play Tamarack has in its portfolio now.

After completing the acquisition, Tamarack aims to produce 70,000 barrels of oil per day next year. The combined breakeven will likely be much lower than peers. And even if oil prices fall, Tamarack will be resilient due to its low-cost oil production.

With current oil prices, TVE is well placed to earn massive free cash flows for the next several quarters. The stock does not seem to have priced in such growth triggers. It is currently trading five times earnings and 1.7 times cash flows. This looks quite undervalued compared to peers. Oil prices might not remain at these levels for long. So, when they revive, TVE could be the stock that could top the charts.

Dollarama

Canadian value retailer **Dollarama** (TSX:DOL) has undoubtedly been the top stock this year. Consumer, tech, and even energy stocks have badly tumbled in the last few months. But Dollarama stock has made new highs this year and is sitting on a 40% gain for the year.

This is because of its strength, particularly in the inflationary environment. Dollarama offers a wide range of household items and merchandise through its widely spread store network. It offers unique value to customers that stand tall in the high-inflation periods.

As a result, it has witnessed higher revenue growth in the last few quarters, while broader markets saw a decline in revenues. And this has not been a short-term thing. Dollarama has seen consistent financial growth in the long term.

In the last 10 years, its net income has grown by 13%, compounded annually. Its margin stability and consistent earnings growth helped the stock create massive shareholder value in this period. DOL stock returned nearly 700% in the last 10 years.

As inflation continues to remain elevated, DOL stock might keep topping the charts. Its stable earnings growth, efficient supply chain, and stable dividends will likely generously reward shareholders in the long term.

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