



## 2 Cheap TSX Stocks to Buy Hand Over Fist, and 1 to Avoid

### Description

The **TSX Index** has declined over 12% in 2022, but that masks the fact that many TSX stocks are down by multiples of that. Some stocks are down justifiably due to rich valuations, poor operational performance, or financial challenges.

Yet, several high-quality stocks are cheap largely due to broad market sentiment. These are what acclaimed technology sector analyst, Mark Mahaney calls “dislocated high-quality stocks,” or DHQs. These are long-term winners that happen to be beaten up simply because the market is falling.

### Look for “dislocated high-quality stocks”

These are the types of stocks investors should consider buying on any severe market dip. It may feel uncomfortable. However, if your timeframe is multiple years in the future, you can have a good level of confidence that the bearish sentiment won’t last forever. When that sentiment shifts, these stocks can have significant upside.

### Cargojet: A cheap TSX growth stock

One relatively [cheap](#) TSX stock I am eyeing is **Cargojet** ([TSX:CJT](#)). Its stock has fallen 30% in 2022 and 40% over the past year. After such a severe decline, investors can buy Cargojet stock for eight times enterprise value-to-EBITDA. For context, the last time it was this cheap was in 2013.

Cargojet has grown into the leading overnight freight air carrier in Canada. Its network touches nearly 90% of the Canadian population across 16 major cities. It has steadily been taking freight market share from passenger airlines as they have struggled to recover from the pandemic.

Just last quarter, Cargojet grew revenues and adjusted EBITDA by 43% and 20%, respectively. A few weeks ago, it laid out a five-year plan to expand internationally and nearly double revenues, adjusted EBITDA, and free cash flow.

## Brookfield Infrastructure: A top TSX dividend-growth stock

Another high-quality stock I'd consider buying today is **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#))([NYSE:BIP](#)). This is a noteworthy stock if you are looking for a combination of [income](#) and growth. Over the past two weeks, this TSX stock has fallen by 13%. Today, it is trading with an attractive 4.15% dividend yield.

You can buy BIP stock for 12 times funds from operations (FFO). Other than the March 2020 market crash, BIP stock has not been this cheap since early 2019.

BIP has a diverse portfolio of [essential infrastructure](#) assets around the world. These are very defensive assets with long-term contracts and attractive organic growth opportunities. If a recession hits, it can deploy its solid balance sheet by investing in cheap acquisitions. In the meantime, investors get to own a collection of low-risk assets and earn a healthy dividend (that should also grow, too).

## Beware of high-flyers and overvalued stocks

When the stock market is bearish, investors should take advantage of dislocated stock prices and buy high-quality businesses. However, during bear markets, it is important to ensure that you are not overpaying. One TSX [growth stock](#) **Shopify** (TSX:SHOP)([NYSE:SHOP](#)) has fallen 78.6% in 2022.

Yet, it still trades at 5.7 times sales! Shopify's business has slowed considerably since the pandemic. Last quarter, sales growth slipped into the mid-teens range and the company had a huge net loss of \$1.2 billion.

While Shopify has some highly demanded e-commerce services, the company remains unprofitable. It could get hit particularly hard in a recessionary environment. At the current valuation, Shopify will need to execute nearly perfectly on its growth plan to justify its current price. That leaves very little margin for safety.

## The bottom line

There are plenty of profitable high-quality TSX stocks trading at very attractive valuations today. Forget high-flyers that continue to trade at ridiculous prices and instead focus on great businesses with fair valuations and long-term growth ahead.

### CATEGORY

1. Investing
2. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:SHOP (Shopify Inc.)
3. TSX:CJT (Cargojet Inc.)

4. TSX:SHOP (Shopify Inc.)

#### **PARTNER-FEEDS**

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

#### **PP NOTIFY USER**

1. cleona
2. robbybrown

#### **Category**

1. Investing
2. Stocks for Beginners

#### **Date**

2025/08/12

#### **Date Created**

2022/10/11

#### **Author**

robbybrown

default watermark

default watermark