3 Undervalued TSX Stocks Worth a Buy Right Now

Description

The **S&P/TSX Composite Index** has fallen over 11% in 2022, but many TSX stocks are down significantly more. If you've got a long period to invest (like five years or more), here are three undervalued dividend-paying stocks that could have considerable upside over the coming five years or more.

Fortis: A safe TSX dividend stock

If you want a long-term, low-risk TSX stock with a nice dividend, **Fortis** (TSX:FTS) certainly looks interesting today. Its stock is down over 22% this year. Right now, it is trading with a 4.4% dividend yield. That is significantly above its 10-year average dividend yield of 3.8%. The last time its yield was this high was in the March 2020 market crash.

Fortis is not a high growth business. However, its mix of regulated transmission and distribution assets are incredibly defensive. This helps provide relative certainty that Fortis will continue to pay and even grow its earnings and dividend. It already has a 49-year history of growing its dividend annually.

Fortis's $20 billion capital plan provides a clear outlook for about 6% annual earnings and dividend-per-share growth ahead. With a price-to-earnings (P/E) ratio of 17 times, Fortis is trading on the low-end of its valuation range. For an attractive dividend with stable future growth, this TSX stock is a perfect conservative investment.

Enghouse Systems: Cheap and cash rich

Enghouse Systems (TSX:ENGH) is an interesting TSX technology stock for a combination of income, growth, and value. Its stock is down over 47% this year. Now, its decline is somewhat justifiable, given that its sales and earnings are expected to decline by around 10% this year.

This company's video-conferencing software was a big winner during the pandemic, so year-over-year comparables have been challenged. Yet its business generates a lot of cash, and it has a pristine balance sheet with over $220 million of investable cash.

Enghouse has a history of growing by smart acquisitions. In fact, over the past decade, its stock is up 400%! It is likely to use the economic downturn to swipe up some value-priced, high-return assets.

This TSX stock could be a big winner out of the current economic decline. It only trades for 10 times EBITDA (earnings before interest, taxes, depreciation, and amortization) and 13 times free cash flow today. It pays a well-covered 2.5% dividend as well.

Northland Power: A top TSX renewable power stock

Northland Power (TSX:NPI) is another high-quality dividend stock trading at a bargain price. While Northland stock is neutral for the year, it has fallen 14% over the past month. Today, it trades with a P/E ratio of 15 and an enterprise value-to-EBITDA ratio of 10. That is near the low-end of its five-year valuation.

The outlook for Northland looks very positive. It operates a large portfolio of renewable power assets in Europe. It should benefit from very strong power pricing in 2022. Last quarter, revenues and EBITDA increased 36% and 22%, respectively.

With energy security a key priority in Europe, Northland is very well positioned to help develop and operate large-scale renewable projects. It has a large 14-gigawatt backlog that should fuel market-leading growth. While they wait, investors can collect an attractive 3.17% dividend (that pays out monthly) that should grow in the coming years.

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2. TSX:ENGH (Enghouse Systems Ltd.)
3. TSX:FTS (Fortis Inc.)
4. TSX:NPI (Northland Power Inc.)

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robbybrown