3 Undervalued TSX Stocks Worth a Buy Right Now

Description

Even though the recent inflation data fueled a rally, this could just be a short-term respite for stocks. That's because the benchmark interest rates are expected to be much higher than the current levels. The recent market volatility has pushed many quality names below their fair values. This could be a prudent time to grab those names and sit with potential winners. Here are three undervalued TSX stocks.

Tamarack Valley Energy

Canadian small and mid-cap upstream companies offer decent value for next year. **Tamarack Valley Energy** (TSX:TVE) is one of them. It has returned 40% this year, underperforming peer TSX energy stocks. However, it looks well positioned going into 2023 with its strong production and discounted valuation.

Tamarack Valley Energy is expanding its footprint in Clearwater, which has been quite an exciting oil play these days. Clearwater has a much lower breakeven price and, thus, a lower payback period. Higher production from these oil fields amid higher oil prices could fetch improved margins.

Tamarack increased its monthly shareholder dividend to $0.0125 per share, implying an annualized yield of 3%. Growing dividends indicate future earnings visibility and a strong balance sheet.

TVE stock is currently trading five times its earnings, which is lower than peers. It is trading at a free cash flow yield of 20%, indicating a huge growth potential. In comparison, TSX energy stocks offer a free cash flow yield of 16%. Higher free cash flow yield indicates its higher ability to repay debt, issue dividends, and deliver higher shareholder returns.

Intact Financial

This has been a brutal year for stocks. Rapidly rising interest rates have notably weighed on risky assets, bringing Canadian stocks 10% lower this year. One of the stable growing names **Intact Financial**

(TSX:IFC) stock has dropped 8% so far. It looks appealing from the valuation perspective and offers decent growth prospects in the long term.

Intact Financial is Canada's leading property and casualty insurer that collects $20 billion in premiums annually. Its scale advantage and in-house claims expertise have boded well for its business and earnings growth over the years. As a result, Intact has shown superior financial growth and above-average shareholder returns. It has returned 15% compounded annually in the last 10 years, beating broader markets.

After the correction, IFC stock is currently trading 13 times its earnings and looks undervalued. The stock could outperform in the long term, driven by its earnings visibility and discounted valuation.

Fortis

Canadian top utility stock **Fortis** (TSX:FTS) saw some recovery in the last few weeks. The stock is still trading 18% lower than its 52-week highs and offers an appealing proposition to value investors.

Fortis looks particularly strong in the current environment due to its earnings and dividend stability. Utilities generate consistent earnings even in economic downturns and are thus perceived as defensives. Fortis currently yields 4% and will continue to raise dividends by 5-7% annually for the foreseeable future.

Rate-hike pressures brought Fortis stock notably down recently. It is currently trading 20 times its earnings, which is lower than the historical average. Its less-volatile stock and consistent dividend growth will likely stand tall in these uncertain markets.

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2. TSX:IFC (Intact Financial Corporation)
3. TSX:TVE (Tamarack Valley Energy Ltd)

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vinitkularni20