3 TSX Stocks That Could Rally Before 2023 Begins

Description

Inflation has calmed a bit recently, which has given hope of interest rate hikes slowing soon. However, protests in China could result in major supply chain issues, fueling inflation woes. Here are three TSX stocks that look attractive at current levels and could have a prosperous 2023.

MEG Energy

Canadian small- and mid-cap energy stocks still offer significant value for next year, even after massive shareholder returns since the pandemic. The $5.8 billion **MEG Energy** (TSX:MEG) is one of them. It has returned 65% so far in 2022.

MEG Energy does not pay dividends but has been aggressively buying back its own shares. Share repurchases indicate that the management perceives the company's shares as undervalued, and the buying could result in a short-term surge.

As energy producers saw massive free cash flow growth in 2022, they repaid debt and raised dividends. The excess cash was also allotted to share buybacks and dividends. MEG has repaid almost $1 billion of debt in the last 12 months. It currently has $1.2 billion in net debt and plans to reduce it to $600 million. Along with debt reduction, MEG plans to repurchase its own shares as a strategy to boost shareholder returns.

For 2023, MEG intends to increase production by 7% compared to 2022. Higher production, coupled with superior oil prices, should result in stellar earnings growth next year as well.

Dollarama

While many companies are seeing declining revenue growth and margins squeeze, **Dollarama** (TSX:DOL) stands tall and is growing. It has proven its vigour in this year's bear market and has acted as a solid inflation hedge.

DOL stock has gained 30% this year and is currently trading close to its all-time highs. In comparison, the **TSX Composite Index** dropped 5% in the same period.

Dollarama differentiates itself from peers on several fronts, be it the store count or the product offering. It also offers a matchless value proposition, making it more attractive amid inflationary times. In the last nine months, Dollarama has seen superior revenue growth and healthy margin stability, despite higher interest rates.

Even if the rate-hike cycle slows next year, inflation could continue to be the main headache for corporates. So, Dollarama will likely create handsome shareholder value amid expected higher market volatility.

Enbridge

Canadian energy midstream giant **Enbridge** (TSX:ENB) is a stable name to buy in unstable markets. That's because of its earnings and dividend stability. Enbridge sees stable cash flow growth regardless of the broader economic cycle. Volatile oil prices also do not impact its earnings much, as a significant portion of its earnings come from fixed-fee contracts.

ENB is currently trading at a dividend yield of 6.2%, much higher than peer Canadian bigwigs. It has raised shareholder payouts for the last 27 consecutive years, underlining its massive dividend reliability. Thanks to its consistently growing dividends, ENB stock has returned 9% compounded annually in the last 10 years.

Enbridge might not see a substantial rise like tech growth stocks. But its dividend and less-volatile stock provide valuable stability to your portfolio amid uncertainties.

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3. TSX:MEG (MEG Energy Corp.)

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