Here's My Top Value Stock to Buy Right Now

Description

There are several TSX stocks trading at lower valuations in 2022 due to challenging macroeconomic conditions. In the first 11 months of 2022, a handful of quality growth stocks are trading at a premium and are well positioned to derive outsized gains to shareholders in the long term.

Here is one such undervalued TSX stock in **FirstService International** (TSX:FSV) that investors can look to buy right now.

This TSX stock gives you exposure to the residential sector

FirstService is one of the largest providers of property services to residential and commercial customers in North America. It manages 8,600 properties and more than 1.7 million residential units, allowing the company to generate US$3.58 billion in sales in the last 12 months.

FirstService enjoys a leadership position in large but fragmented markets, providing it with enough growth opportunities. It has already increased sales from US$1.93 billion in 2018 to US$3.24 billion in 2021 on the back of a disciplined acquisition program.

FirstService was listed on the TSX in May 2015 and has returned close to 400% to shareholders in the last seven years. However, it's also trading 33.5% below all-time highs, allowing you to buy the dip.

Over the years, FirstService has focused on generating predictable and recurring contractual revenue, allowing it to maintain a conservative balance sheet. It also pays investors dividends of US$0.81 per share each year, indicating a forward yield of 0.7%. While the payout is modest, it has increased dividends by 10.6% annually since 2015.

What's next for FSV's stock price and investors?

FirstService generates a majority of its revenue from the United States (87%) and the rest from Canada. Its huge presence south of the border should allow the company to increase revenue by 14%

year over year to US$3.7 billion in 2022 and by 6.6% to US$3.95 billion in 2023.

Comparatively, an inflationary and high-interest rate environment will compress its earnings to US$4.21 per share this year compared to earnings of US$4.57 per share in 2021. But adjusted earnings are forecast to rise to US$4.69 per share in 2023.

FSV stock is priced at 1.5 times forward sales and 27 times forward earnings, which is quite reasonable for a growth stock. In fact, according to consensus estimates, adjusted earnings are forecast to increase by 22% annually between 2022 and 2026.

In the last five years, the real estate giant has increased revenue at an annual rate of 17%, while adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) has surged by 20% in this period.

The Foolish takeaway

While growth rates are decelerating, the decline in FSV stock price in the last year has reflected a tepid and sluggish environment. Acquiring real estate might also increase interest expenses for FirstService and its peers, but the financials of the company are quite strong. With a payout ratio of less than 50%, FirstService has enough flexibility to lower its debt and invest in capital expenditures, driving cash flows higher over time.

FirstService's cheap multiples, robust financials, and widening profit margins make it an enticing bet for value investors in 2023. FSV stock is currently trading at a discount of more than 10%, given consensus price target estimates.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FSV (FirstService Corporation)

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. araghunath
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/09/04
Date Created
2022/12/13
Author
araghunath