3 Top Value Stocks That Are Screaming Buys Right Now

Description

With the **S&P/TSX Composite Index** down 5.75% in 2022, there are plenty of stocks presenting attractive value.

Buying a stock below its business value provides investors with what Ben Graham (a famed value investor) calls a “margin of safety.” It basically means the hype has fallen out of a stock, and you can buy it below its private market value. Over a longer time horizon, stocks tend to revert to their intrinsic value.

You may need to be patient with these types of stocks but give them time and you can see a lot of that value recover. If you are looking for some bargains, here are three Canadian value stocks that are great buys today.

Cenovus: A cheap, large-cap energy stock

Cenovus Energy (TSX:CVE) is an attractive Canadian value stock to consider now. It is one of Canada’s largest energy producers. It has also become one of Canada’s biggest refiners. Its diversified business has enabled it to deliver a strong earnings and cash flows, even though oil prices have significantly fluctuated in the past few years.

Cenovus should hit its $4 billion net target by the end of the 2023. After, it plans to return 100% of its excess cash back to shareholders. Shareholders could be due for a big pay day of share buybacks and special dividends if/when this is achieved.

This value stock only trades for 5.7 times earnings. It has a 1.9% dividend, but that could be set to rise next year. Cenovus stock is down 13.5% in the past month. You can pick this well-managed energy stock at a nice price with solid return prospects ahead.

ADENTRA: A value growth stock

You may not be familiar with **ADENTRA** (TSX:ADEN), but you may know Hardwoods Distribution Inc. Hardwoods was recently rebranded as ADENTRA.

Today, it is one of North America's largest distributors of architectural building components (plywood, doors, mouldings, decorative surfaces, etc.). Yet, this company has been mispriced as a commodity lumber stock.

Over the past five years, it has grown revenues and earnings per share by a compounded annual rate of 27% and 40%, respectively. Given a slowing economy, ADENTRA's growth profile could moderate. However, over the long term, there is a massive housing and infrastructure shortage that could provide a long growth horizon.

Today, this value stock is very cheap at six times earnings. It also pays a nice 2.2% dividend, so investors get paid to wait for its growth thesis to rebound.

Northland Power: A value income stock

Another stock for value and income is **Northland Power** (TSX:NPI). Its stock is down 15% since September. Northland is a renewable power operator and developer across North America, Central America, and Europe.

It has enjoyed a very strong year in 2022 due to high European power prices and strong wind resources. Year to date, revenue is up 24% and earnings before interest, taxes, depreciation, and amortization (EBITDA) rose 35%. The company has a huge development pipeline, and it expects to double its EBITDA by the end of the decade.

This value stock has a good balance sheet, and it can reliably pay its nice 3.1% dividend. Northland only trades with for an enterprise value-to-EBITDA (EV/EBITDA) ratio of 12, which is close to the cheapest it has been in the past five years.

CATEGORY

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2. TSX:ADEN (Adentra)
3. TSX:NPI (Northland Power Inc.)

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Author
robbybrown