2 Canadian Stocks That Are Simply Too Cheap to Avoid

Description

These two ultra-cheap Canadian stocks are not necessarily losing investments but worth owning. **Pine Cliff Energy Ltd.** (TSX:PNE) and **WELL Health Technologies** (TSX:WELL) trade below $3 per share, but you can't avoid buying them as the potential return in 2023 and beyond is enormous.

Obscure but profitable energy stock

Pine Cliff is an obscure name in **TSX's** red-hot energy sector, although it has rewarded investors with a 158.4% return in 2022. Had you invested $5,000 at year-end 2021, your money would have grown to $12,922.47 on December 30, 2022. As of this writing, the share price is only $1.59.

Moreover, the company generates significant free cash flow (FCF) from low-operational cost projects that yield huge value. The low decline rate is a definite advantage because even with modest capital programs, Pine Cliff can keep production flat and drill only a few low-risk drilling opportunities.

In the nine months that ended September 30, 2022, cash provided by operating activities and adjusted funds flow increased 301.5% and 274.7% year over year to $116.66 million and $123 million, respectively. Notably, net earnings ballooned 9,272% to $84.3 million versus the same period in 2021.

You won't be investing in Pine Cliff for the price appreciation or capital gains alone. The small-cap energy stock attracts dividend investors, too. If you take a position today, you can partake of the juicy 7.69% dividend. The dividends should be sustainable given the low 10.2% payout ratio.

Strong organic growth profile

At $2.84 per share, WELL Health trades at a deep discount. The current stock price is 49.6% lower than its 52-week high of $5.64. Nevertheless, based on the buy recommendation of market analysts, the healthcare stock could gain 169.7% ($7.66) on average in 12 months.

This $638.87 digital healthcare company reported record quarterly revenue of $145.8 million in Q3

2022. The $27.5 million adjusted EBITDA was also a new record for WELL Health. Its Chairman and CEO, Hamed Shahbazi, said both best-ever results were not even during a seasonally strong quarter.

Other business highlights during the quarter were the 18% and 75% year-over-year growth in operating margins and virtual services, respectively. Furthermore, patient engagement (omnichannel, diagnostic and asynchronous patient interactions) was over 1.25 million.

In the nine months that ended September 30, 2022, revenue grew 121.1% to $412.62 million versus the same period in 2021. Net loss improved by 87.3% to only $3.4 million. CFO, Eva Fong, said WELL is a profitable business, evidenced by the $11.4 million free cash flow (FCF) that can fund future organic and inorganic growth.

Because of WELL's strong organic growth profile, the expected annual revenue when it reports the full-year results is more than $565 million. Management is confident it could hit close to $700 million in exit run-rate revenue by year-end 2023. More importantly, business success isn't dependent on external factors.

Excellent earning opportunities

TSX stocks like Pine Cliff Energy and WELL Health Technologies are too cheap to avoid. You have two attractive opportunities to earn so much at a minimal cost.

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