10 Top TSX Value Stocks to Buy in January 2023

Description

Every month, we ask our freelance writer investors to share their best stock ideas with you. Here's what they said.

[Just beginning your investing journey? Check out our guide on how to start investing in Canada.]

10 Top TSX Stocks for January 2023 (Smallest to Largest)

1. **Cineplex,** $498.1 million
2. **goeasy,** $1.88 billion
3. **First National Financial,** $2.3 billion
4. **Parex Resources,** $2.3 billion
5. **Vermilion Energy,** $3.4 billion
6. **Sun Life,** $36 billion
7. **Manulife Financial,** $46 billion
8. **Nutrien,** $51.77 billion
9. **Alimentation Couche-Tard,** $62 billion
10. **Canadian Natural Resources**, $85 billion

(MARKET CAP AS OF January 17, 2023)

Why We Love These Stocks for Canadian Investors

Karen Thomas: Cineplex Inc. (TSX:CGX)

Market cap: $498.1 million

What it does: Cineplex is a diversified entertainment company and Canada's largest movie exhibition business.

Cineplex Inc. (TSX:CGX) is well positioned for this year. In fact, after the difficult pandemic years, its business is on the rebound. In its latest quarter, revenue rose 36% and adjusted earnings before interest, taxes, depreciation, and amortization rose 90%.

The fact is that Cineplex offers relatively inexpensive forms of entertainment — a very attractive feature in today's increasingly difficult economic environment. While box office numbers have been disappointing recently, Cineplex's results have been strong and gaining momentum in all of its segments.

Cineplex stock is trading at value levels today, as investors remain unconvinced of its value. In my view, its price-to-earnings ratio of 12 times next year's expected earnings doesn't reflect the true potential of this company. Earnings in 2018 exceeded $1.20 per share. Today, Cineplex is a more diversified company, with greater reach and profitability. I see every reason to believe that Cineplex can once again achieve and even exceed this level of earnings in the future.

Puja Tayal: goeasy (TSX:GSY)

Market cap: $1.88 billion

What it does: goeasy is a non-prime lender that offers short-duration loans of $500-$50,000 for home improvement, car, and point-of-sale purchases.

goeasy (TSX:GSY) stock ha fallen 35% since the start of 2022, as the macroeconomic situation has changed. The aggressive interest rate hikes to control soaring inflation have reduced the purchasing power of individuals. More people resorted to non-prime loans, and goeasy saw a 47% year-over-year surge in loan origination in the third quarter. While loan origination and processing fee revenue increased, goeasy stock kept falling over fears of delinquencies, volatile stock markets, and rising interest rates.

goeasy's stock price could continue to see tepid growth in the first half of 2023 as economic growth slows. However, this stock could rally as the economy recovers. Hence, it is a buy while the price is still weak.

Fool contributor Puja Tayal has no positions in any of the stocks mentioned.

Andrew Button: First National Financial (TSX:FN)

Market cap: $2.3 billion

What it does: First National Financial is a non-bank mortgage lender. It gives people money to buy homes with.

If you're a value investor with above-average risk tolerance, **First National Financial** (TSX:FN) could be worth a look in January 2023. It's a mortgage lender that partners with mortgage brokers to help people find mortgages.

This year, interest rates are rising, and lending businesses tend to collect more revenue when interest rates go up. In its most recent quarter, FN increased its revenue by 11%, thanks to higher interest rates. Unfortunately, net income declined, largely due to rising investment losses.

Today, the Canadian treasury yield curve is inverted, which means that short-term bonds have higher yields than long-term bonds. This phenomenon tends to signal economic problems and can predict recessions. Recessions aren't good for lenders like FN, but the stock has fallen so much that it now has a 6.3% yield. It could be a worthy buy for the bargain hunters among us.

Fool contributor Andrew Button has no positions in the stocks mentioned.

Kay Ng: Parex Resources (TSX:PXT)

Market cap: $2.3 billion

What it does: Parex Resources is an oil-weighted producer that's headquartered in Calgary but operates in Colombia.

As the largest independent operator in Colombia, **Parex Resources** (TSX:PXT) enjoys premium Brent oil pricing. Founded in 2009, the company has grown to a scale that was large enough to pay a nice dividend since 2021. Its quarterly dividend has doubled since then.

At $21.47 per share at writing, it trades at about 2.1 times cash flow and offers a nice yield of just under 4.7%. The company is debt free and devoted to returning all of its free funds flow from operations to shareholders via stock buybacks and dividends. Analysts believe the energy stock could appreciate 61% over the next 12 months.

Fool contributor Kay Ng has a position in Parex Resources.

Vineet Kulkarni: Vermilion Energy (TSX:VET)

Market cap: $3.4 billion

What it does: Vermilion Energy is a Canada-based oil and natural gas producer with assets in Canada, the U.S., Australia, and Europe.

Vermilion Energy (TSX:VET) stock has dropped 46% since August 2022 and, thus, presents an opportunity to enter. The stock has mainly been weak due to its windfall tax issues in Europe and falling natural gas prices.

However, the stock is one of the undervalued names in the Canadian energy space. VET is currently trading at a free cash flow yield of 20%, including the impact of windfall taxes in 2023. This suggests a discounted valuation compared to the average free cash flow yield of 16%.

Moreover, as temperatures in Europe drop further this month, gas prices will likely turn higher, ultimately uplifting VET stock. Its diversified asset base and robust financial growth prospects make it an appealing bet.

Fool contributor Vineet Kulkarni has no position in any of the stocks mentioned.

Nicholas Dobroruka: Sun Life (TSX:SLF)

Market cap: $36 billion

What it does: Sun Life is a global financial services company, specializing in insurance, wealth, and asset management solutions, serving both individual consumers and corporate clients.

After the year we just had, investors could all use a little extra stability in their portfolios. Volatility was off the charts in 2022. And despite the fact that I'd consider myself an optimistic bull, I'm not expecting the harsh market conditions to slow down anytime soon. That's why I'm looking to add a few reliable blue-chip companies to my portfolio early this year.

I'll admit, for growth investors, there's not much to get excited about with **Sun Life** (TSX:SLF). But if you're looking for a well-priced dividend stock that's yielding above 4%, there's a heck of a whole lot to like about this trustworthy insurance company.

If the thought of more volatility concerns you, I'd highly suggest having a dependable value stock like Sun Life on your watch list in January.

Fool contributor Nicholas Dobroruka has no position in any of the stocks mentioned.

Jed Lloren: Manulife Financial (TSX:MFC)

Market cap: $46 billion

What it does: Manulife Financial is an international provider of financial services.

My top value stock for January 2023 is **Manulife Financial** (TSX:MFC). For those that are unfamiliar, this company provides insurance and wealth management services across the globe. However, with a portfolio of assets under management totalling more than $1 trillion, I'm sure many readers have heard of this company before.

Manulife deserves attention right now because of its extremely cheap valuation. The stock currently offers investors a price-to-sales ratio of about 2.2. For reference, the average price-to-sales ratio for stocks in its industry is about 4.7. That means Manulife is trading much cheaper than its peers at the moment.

If that cheap valuation isn't enough to sway you, then consider this stock for its outstanding dividend. With a forward yield of about 5.4%, investors could receive a hefty dividend during a time when capital appreciation is fairly unreliable.

Amy Legate-Wolfe: Nutrien (TSX:NTR)

Market cap: $51.77 billion

What it does: Nutrien stock provides crop nutrients and services to farmers around the world.

Last year was a crazy one for **Nutrien** (TSX:NTR), with shares reaching all-time highs before falling back to reality. However, that new reality is *still* above where it was a year ago, with shares up about 10% from that time as of writing.

Even still, we've seen the necessity for crop nutrients from sanctions against cheap Russian potash. Now, Nutrien stock looks to take on the leading position as crop nutrient provider, and it's likely to achieve it. After proving its worth during the pandemic, expanding its e-commerce arm, and expanding into more countries, Nutrien stock looks like a solid long-term investment.

However, after the rise and fall due to the invasion of Ukraine and those Russian sanctions, investors have been wary to buy it again. That leaves incredible value to lock in at just 5.22 times earnings, and just 55% of equity needs to cover all its debts. And with a nice 2.51% dividend as well, there's no reason to ignore this stock any longer.

Fool contributor Amy Legate-Wolfe has no position in any of the stocks mentioned.

Demetris Afxentiou: Alimentation Couche-Tard (TSX:ATD)

Market cap: $62 billion

What it does: Couche-Tard is a convenience store and gas station operator with over 14,000 locations across two-dozen countries.

My top value pick for January 2023 is **Alimentation Couche-Tard** (TSX:ATD). Gas stations and convenience stores are not retail destinations but rather an interim or unscheduled stop enroute to a destination.

The nature of that unscheduled stop allows Couche-Tard to generate a solid revenue stream from both its gas and retail segments. More importantly, it allows Couche-Tard to invest heavily into expansion, which is something that Couche-Tard is known for.

That expansion includes both within its core area (expanding into new markets) as well as embracing new complementary verticals. Two recent examples of this include Couche-Tard's 200-site electric vehicle network being built out across North America as well as the company's recent interest in entering the carwash business. Both could provide additional new revenue streams, while also benefiting the company's retail arm.

And despite that stellar long-term potential, Couche-Tard still trades at attractive levels. The company boasts a price-to-earnings ratio of just 16.79, making it a unique value option to consider for any long-term portfolio.

Fool contributor Demetris Afxentiou has no position in any of the stocks mentioned.

Robin Brown: Canadian Natural Resources (TSX:CNQ)

Market Cap: $85 billion

What it does: With close to one million barrels of energy in production, Canadian Natural Resources is Canada's largest energy company.

If you want exposure to the Canadian energy sector, **Canadian Natural Resources** (TSX:CNQ) is a premium stock to own. It operates world class assets that have decades of reserves at low decline rates. Its operations can produce positive cash flows, even if oil prices were to dip below US$40 per barrel!

Last year, CNQ paid down a tonne of debt and bought back a lot of stock. As a result, it should be able to generate solid earnings, even if oil prices moderate to the US$70 range. This Canadian stock generates a lot of cash, so shareholders should be rewarded by more share buybacks, base dividend increases, and even special dividends.

With a price-to-earnings ratio of seven, CNQ deserves to trade at a premium to peers. However, it still looks attractively priced when compared to its historic valuation levels.

Fool contributor Robin Brown has no positions in any of the stocks mentioned.

How to Invest in These Top Canadian Stocks

If you're new to investing, please read our beginner's investing guide. It will walk you through all the basics, including how much of your money is prudent to invest and how to find out which kind of stocks are right for you.

Our writers are excited about each of the stocks on this list, but they're probably not all up your alley. Start with the investment ideas that speak to you — and feel free to ignore the ones that don't.

Good luck and Fool on!

CATEGORY

1. Investing
2. Top TSX Stocks

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:CGX (Cineplex Inc.)
3. TSX:FN (First National Financial Corporation)
4. TSX:GSY (goeasy Ltd.)
5. TSX:MFC (Manulife Financial Corporation)
6. TSX:NTR (Nutrien)
7. TSX:PXT (PAREX RESOURCES INC)
8. TSX:SLF (Sun Life Financial Inc.)
9. TSX:VET (Vermilion Energy Inc.)

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. kduncombe

Category

1. Investing
2. Top TSX Stocks

Date
2025/08/12
Date Created
2023/01/19
Author
motley-fool-staff