3 Undervalued Canadian Stocks Worth a Buy Right Now

Description

An undervalued stock is a stock that trades below its intrinsic value. Due to the weakness in the broader equity market or investors' skepticism, these mispricings can happen, creating excellent buying opportunities. However, identifying undervalued stocks is a big challenge.

In this article, I will discuss three companies that I consider undervalued, given their solid financials, healthy growth prospects, and cheap valuations.

Nuvei

Nuvei (TSX:NVEI) has witnessed strong buying since the beginning of this year, with its stock price rising by 34.4%. Despite the recent surge, the company trades at a discount of over 54% compared to its 52-week high. Concerns over rising interest rates, uncertain economic outlook, and expensive valuation had weighed on the company's stock price. Despite the recent recovery, Nuvei trades at an attractive NTM (next 12-month) price-to-earnings multiple of 17.9, which looks cheap for a company that expects its revenue to grow at an annualized rate of over 30% in the medium term.

In the first three quarters of 2022, Nuvei has grown its volumes and revenue by 36% and 22%, respectively. When many growth companies are struggling to break even, Nuvei reported an adjusted net income of $206.2 million, a year-over-year increase of 16%. Meanwhile, I expect the uptrend in the company's financials to continue amid expanding digital payments market and its multiple growth drivers. It is working on acquiring Paya Holdings, which could strengthen its position in high-growth, non-cyclical verticals with large addressable end markets.

WELL Health Technologies

Second on my list is **WELL Health Technologies** (TSX:WELL), a telehealthcare company that trades at a discount of over 40% compared to its 52-week high. Amid the reopening of the economy after the easing of restrictions, investors were worried that the company's growth could slow down, thus causing the selloff. However, analysts are bullish on the telehealthcare sector amid its growing popularity due to its convenience and accessibility.

Also, the increased penetration of internet services and the development of innovative products is driving the sector, which could grow at an annualized rate of 24% through 2030. Amid the growing addressable market, the company is looking at expanding its footprint across Canada and the United States through strategic acquisitions. The company's management expects its revenue run rate to reach $700 million by the end of this year.

Despite its high-growth potential, WELL Health trades at an attractive NTM price-to-earnings multiple of 13.3, making it an excellent buy.

Suncor Energy

My final pick is **Suncor Energy** (TSX:SU). The Canadian oil sands giant has witnessed strong buying since the beginning of last year, with its stock price increasing by 48.5%. Rising oil prices and solid quarterly performances have driven its stock price. Despite the surge, it still trades at an attractive NTM price-to-earnings multiple of 6.7.

Although oil prices have fallen substantially from last year's highs, analysts are bullish on oil amid the easing of COVID-related restrictions in China. Meanwhile, OPEC (Organization of the Petroleum Exporting Countries) projects oil demand to rise by 2.3% in 2023 to 2.25 million barrels per day. So, higher demand could support oil prices, benefiting oil-producing companies, including Suncor Energy.

The company has lowered its debt and undertaken aggressive share buybacks amid solid cash flows. It also pays a quarterly dividend of $0.52/share, with its NTM yield at 4.61%.

CATEGORY

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3. TSX:WELL (WELL Health Technologies Corp.)

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