3 Undervalued Canadian Stocks to Buy in February 2023

**Description**

Last year's selloff has created plenty of undervalued opportunities in the market. This is an excellent time to go bargain hunting. Here are the top three undervalued Canadian stocks to buy in February 2023.



## Alimentation Couche-Tard

**Alimentation Couche-Tard** (TSX: ATD) is a defensive play for any investor who cherishes small but consistent returns. The stock has been flying under the radar, outperforming the TSX in 2022 and generating significant returns through buybacks and dividends.

Last year, the stock was up by about 11% and is already up by 6% for this year. ATD's impressive performance stems from the company's business model, which seems to be immune to elevated inflation and recession concerns. In its fiscal second quarter, net earnings soared to $810.4 million, or $0.79 a share, compared to $694.8 million, or $0.65 a share, delivered the previous quarter. As gas prices become more rational and more people hit the roads, the company looks set to generate more earnings in 2023.

Over the past 10 years, Couche-Tard's investment strategy has delivered over 660% total return. Moreover, the stock has grown its dividend by 25% compound annual growth since 2012. The stock trading at a price-to-earnings multiple of 17, which is a bargain, in my view.

## BCE

**BCE** (TSX:BCE) is another undervalued stock to buy in February. The telecom giant has retained its dominance in Canada for decades. It has been building out its broadband network and adding more internet customers. Improving fundamentals could explain why the stock has started bottoming out in recent months.

Last year, the company delivered solid financial results, as it benefited from its investments in building out its 5G wireless and fiber optic broadband network. The accelerated network expansion has helped the company attract more internet customers, strengthening its revenue base.

The company experienced over 400,000 net activations across its wireline and wireless networks in the third quarter of last year. It also gained a significant share of internet subscriber growth with over 95,000 new fibre-to-home customers. Operating revenues increased 3.2% to $6 billion as cash flows from operating activities increased 12.5% to $1.9 billion. Its balance sheet remains strong, with $3.5 billion in available liquidity and $583 million in cash.

BCE is one of the TSX's Dividend Aristocrats. The company boasts a solid dividend yield of 5.92%, while the stock trades at a price-to-earnings multiple of 17. Keep an eye on this undervalued opportunity.

## Telus

**Telus** (TSX:T) dropped 20% last year. However, its stable dividend yield of 5.26% affirms the company's cash reserves and commitment to continue returning value to shareholders. Like BCE, Telus has retained its dominance in the wireless space, but it's the only telecom giant diversifying into new industries. For instance, it is a leading provider of digital health solutions to Canadian doctors — an edge that differentiates it from other communications companies.



The acquisition of Lifework last year strengthened the company's edge, making it possible to work with international companies in providing health and wellness plans. The company also offers digital solutions to help farmers make their business efficient through Telus Agriculture.

The diversified nature of the company's operation is the catalyst behind solid financial results in the recent past, the company posted a 20% increase in adjusted net income in the third quarter. In addition, free cash flows were up 63% to $331 million, allowing the company to pay higher dividends. The company is cutting its annual expenditure by about $1 billion in 2023, as it pursues the transition from copper to fibre connections.

Over the last two decades, Telus has raised its dividend every year. It is targeting an average annual dividend growth of 7-10%. While the stock is trading at a price-to-earnings multiple of 18. It's an overlooked income stock that deserves a spot on your watch list.

**CATEGORY**

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