3 Undervalued TSX Stocks to Buy in February 2023

Description

Some parts of the stock market have recovered from the bear market recently, but there's plenty of opportunities for bargain hunters. Here are the top three undervalued TSX stocks that should be on your watch list this month.

Suncor

Energy stocks have suffered some losses in recent months, as the market worried about a potential recession. While it's hard to predict whether or not the global economy will shrink this year, it's easier to see that demand for oil and gas is still remarkably strong and energy producers are undervalued.

Suncor (TSX:SU) is a perfect example. The stock has lost roughly one-fifth of its value since June last year. However, its underlying earnings and revenue have exploded. Suncor generated a whopping $18 billion in operating cash flow last year. Only $8 billion of that was returned to shareholders in the form of dividends and buybacks.

This year the company's operations are more streamlined, debt burden is lower and oil prices are relatively stable. That means it could generate more or less a similar amount of free cash flow but deliver more of it back to shareholders.

Suncor stock trades at just 8.4 times earnings per share and offers a dividend yield of 4.4%. It's an undervalued target that should be on your radar in 2023.

Nuvei

Nuvei (TSX:NVEI) dropped with the rest of the financial technology sector last year and is now rebounding. The stock is up 30% year to date since January. It's still worth less than half its peak value.

This stock may take several years to hit an all-time high. But it's arguably undervalued right now. Nuvei trades at just 17.9 earnings per share. Meanwhile, revenue was up 22% in its most recent quarter and net income was up 16% over that same period.

Infusing technology into the global payment processing industry is still a trillion-dollar opportunity. That's why this frontrunner in the fintech space should be on your watch list of undervalued tech stocks.

CI Financial

If FinTech stocks are cheap, traditional financial stocks are significantly cheaper. **CI Financial** (TSX:CIX), for instance, is trading at just seven times earnings per share. The company offers a respectable 4.5% dividend yield and has a track record of consistent shareholder rewards.

CI Financial had a rough year in 2022, losing 40% of its value. Rapidly rising interest rates left a dent in the private investment space, which is why the company reported a 10% drop in assets under management in its latest quarter.

However, the correction might be over, and CI Financial has a game plan for future growth. The company is rapidly expanding its wealth management business in the United States, which could give it access to more undervalued assets and underserved investors. Keep an eye on this overlooked financial giant.

CATEGORY

1. Investing

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2. TSX:NVEI (Nuvei Corporation)
3. TSX:SU (Suncor Energy Inc.)

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