2 Undervalued TSX Stocks Worth Buying Right Now

Description

With the **TSX Index** up 6.6% this year, it has been a strong start for Canadian stocks. Despite that, there are many TSX stocks that still look undervalued, especially if you have a long-term (five or more years) investment horizon.

While you may have to do some digging to find gems in the rough, the work can be worth it. To save you some time, here are two high-quality, bargain-priced stocks to considering adding today.

Brookfield: A giant TSX stock that could have giant growth

With a market cap of $80 billion, **Brookfield Corporation** (TSX:BN) is one of Canada's biggest companies. It has business interests in sectors like renewable power, real estate, infrastructure, private equity, credit, insurance, and asset management. Owning this stock is like owning a diversified portfolio in and of itself.

While the market has beaten this stock up, Brookfield continues to deliver strong numbers. In 2022, distributable earnings per share (DEPS) increased by 23% to $2.68 per share. In the fourth quarter, DEPS increased 11%.

Over the past five years, it has grown assets under management by a 22% compounded rate to $789 billion today. Likewise, DEPS has compounded by a 19% annual rate over that same time. The company ended 2022 with $125 billion of capital available to deploy. This means that if a recession hits and certain assets drop in value, Brookfield can be opportunistic to sweep them up.

Despite these strong fundamentals, Brookfield's stock has lagged. While it is up 16% in 2023, it is down close to 20% year over year. The market is worried that economic factors (rising interest rates and a slowing economy) could limit its ability to continue growing. As a result, the stock trades at an attractive valuation of only 11 times price to earnings.

Management continues to believe it can grow distributable earnings by a 25% compounded rate for the coming five years. In the meantime, it has been buying back shares to help bridge the valuation gap.

Ultimately, with this TSX stock, you are making a bet on its skilled management team. They are large owners of the business, so their incentives for success are aligned with yours. It may take some time, but patience could be rewarding when buying and owning Brookfield stock.

Colliers: A diversified TSX services stock trading at a fair price

Another TSX stock that looks uniquely attractive is **Colliers International Group** (TSX:CIGI). Many people may see this largely as a commercial real estate brokerage company. However, over the past several years it has been expanding its service offerings into property management, engineering, design, project management, and asset management.

The back half of 2022 was really tough for its capital markets division. High interest rates and an uncertain economic environment have really slowed property deals. The first half of 2023 may be tough as well.

Fortunately, strength in its other service platforms have largely offset this weakness. The good news is eventually assets will need trade, meaning there could also be a surge in capital markets activity in the future.

If you can look out a few quarters, you get to buy a very high-quality company with a long-term track record and tailwinds of growth ahead. Even after a recent 28% rally, Colliers stock only trades with a price-to-earnings ratio of 15 and a free cash flow yield of 8%. Take a 10-year investment horizon when owning this TSX stock, and you'll be happy you did.

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