3 Undervalued Stocks That Should Be on Your Christmas List

Description

It's that time of year again. Tax-loss selling season, where stocks that underperformed in 2016 will potentially take one last dip before the new year. While other investors start dumping shares of stocks that have gone out of favour, it may be an opportunity for you to pick up shares of cheap companies.

These three stocks are fantastic long-term businesses that have had a rough year, but could be huge winners in 2017. If you're a true contrarian investor, then it may be time to start making your list and checking it twice!

Undervalued stock #1: Telus Corporation (TSX:T)(NYSE:TU)

Telus has been the biggest loser of the Big Three Canadian telecoms. The stock didn't give any returns for the past year aside from the dividend, which is now at 4.5%.

Telus has been criticized for not having a media segment, but I believe media is not a source of strength, especially in times when customers are cutting the cord. It's sticking with streaming services instead of the traditional cable television plan.

The business has unmatched customer service, which is the best among the Big Three. This means customer retention will be better than its competitors' over the long run.

The business is your typical dividend-growth play, and investors who seek a high yield should pick up shares of this stock now, as it could be a huge winner next year.

Undervalued stock #2: Loblaw Companies Limited (TSX:L)

Loblaw is another stock that had a forgettable 2016. The stock has returned a meagre 4.5% so far to go with its low 1.5% dividend yield.

The stock is cheap given its growth potential and the huge moat it has in its fantastic network of grocery stores.

The next few years could be huge for Loblaw, as Shoppers Drug Mart continues to enjoy same-store sales growth.

Shoppers Drug Mart has also expressed interest in dispensing medical marijuana at its locations once the drug becomes legalized in Canada. Many drugstore retailers still think marijuana is taboo, even if it gets legalized, so Shoppers Drug Mart may become a primary distributor of marijuana in a few years.

Undervalued stock #3: Walt Disney Co (NYSE:DIS)

I went across the border here because I believe the stock is so undervalued that even with the poor exchange rate for Canadians, the stock is still a buy.

Disney is a stock that will be around for the next hundred years. The stock is -18% off from its 2015 high due to fears of slowed growth at ESPN. I believe these fears are way overblown. The same news keeps getting repeated in the media regarding slowed growth at ESPN, which is a quite sizeable chunk of Disney's revenues.

I don't believe ESPN is too big of an issue with cable cutters. Sports fans will always want to see their team play live, and I believe ESPN will work itself out because Disney's management team is unmatched.

The stock has sold off way too much and could be a huge outperformer next year, as huge blockbusters like *Rogue One* could break records this holiday season.

These are just three stocks that I believe are priced at huge discounts to their intrinsic values and offer a considerable margin of safety at current levels. Foolish investors should keep these stocks on their Christmas list!

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:DIS (The Walt Disney Company)
2. NYSE:TU (TELUS)
3. TSX:L (Loblaw Companies Limited)
4. TSX:T (TELUS)

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