



3 Undervalued Stocks to Add Right Now

Description

In this market, where valuations are, in general, quite high, it feels especially exciting when we can find a stock that is undervalued. I have found three such stocks that, for different reasons, are trading at very cheap valuations.

Uni-Select Inc. ([TSX:UNS](#))

The first is Uni-Select, whose shares have declined 37% since its April highs of over \$36, as organic growth slowed and expectations were adjusted downwards.

But I view this as a blip and now see the shares as greatly undervalued.

UNS continues to be a consolidator in both the automotive aftermarket industry and the automotive paint industry. This has allowed it to increase its market share to become a leader in both of these industries at over 20% market share in each industry. It has also increased margins and efficiencies across the company.

I am bullish on these two markets and on the company's ability to continue to be the consolidator.

Open Text Corp. ([TSX:OTEX](#))([NASDAQ:OTEX](#))

Open Text is currently trading at a P/E ratio of eight times after the stock declined 22% from its highs of almost \$48 earlier this year.

In my view, this valuation is at odds with the company's strong financials, great track record of identifying acquisitions and integrating them, and expected growth rates.

Granted, the company has not been consistently meeting expectations, with two of the last four earnings numbers coming in below expectations. But the fact remains that the company has strong and rising margins, a strong ROE of over 20%, and good free cash flow generation.

Going forward, earnings expectations are calling for a 22% increase in fiscal 2018 and a 10% growth

rate in fiscal 2019. While the growth rate is slowing, valuation has come down too far for this quality company.

Altagas Ltd. ([TSX:ALA](#))

Altagas shares currently present as a good opportunity for the investor that can see beyond the immediate uncertainty. The shares have declined more than 80% in the last three years and almost 20% since the beginning of this year. The good part to this is that new investors can get into this stock, which is now trading at a 7.44% dividend yield.

Altagas has been affected by negative sentiment surrounding pipeline companies, but make no mistake, the company is enjoying strong momentum, both operationally and financially.

The \$8.4 billion WGL acquisition, which will add additional high-quality assets and give the company a significant footprint in the U.S. and Canada, has left investors with many questions and doubts. This is the perfect time to buy because valuation is cheap and, at the end of the day, the deal is accretive to earnings and cash flow, and brings with it a plethora of growth opportunities.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Tech Stocks

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:OTEX (Open Text Corporation)
4. TSX:UNS (Uni-Select)

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