3 Top TSX Value Picks for 2019

Description

Hello, Fools. I'm back to highlight three attractive low P/E stocks. As a refresher, I do this because some of the biggest gains are made by buying solid companies: when they're selling at bargain-basement prices; when they provide a wide margin of safety; and when Bay Street's expectations are low.

The P/E ratio isn't perfect. No metric is. But it remains one of the best tools to help find underpriced opportunities.

The **S&P/TSX Composite Index** continues to dip as we head into 2019, so there should be plenty of value to be had.

Let's get to it.

National treasure

Kicking off our list is **National Bank of Canada** (TSX:NA), which currently sports a P/E of 9.5. Shares of the Montreal-based bank are down 11% over the past year versus a loss of 13% for the **S&P/TSX Capped Financial Index**.

National Bank ended 2018 on a strong note. In Q4, income increased 8% to $566 million on revenue of $1.87 billion. All three of the company's main business segments posted improved earnings.

"Fiscal 2018 ended with record net income of over $2.2 billion driven by strong performance across all business lines and an improved efficiency ratio," said President and CEO Louis Vachon.

More important for income investors, management hiked the quarterly dividend twice during the year, for a 7% increase in 2018. Right now, that dividend boasts a juicy 4.5% yield.

Chemical attraction

Next up, we have **Methanex** (TSX:MX)(Nasdaq:MEOH), whose shares sport a P/E of 9. The methanol producer is down 36% over just the past three months versus a loss of 5% for the **S&P/TSX Capped Materials Index**.

Falling methanol prices have weighed on the stock recently, but company operations remain steady. In Q3, income climbed 15% as revenue jumped 44% to $1.04 billion. Moreover, management returned a whopping $139 million to shareholders during the quarter.

“We believe we are well positioned to meet our financial commitments, pursue our growth opportunities and deliver on our commitment to return excess cash to shareholders through dividends and share repurchases,” said President and CEO John Floren.

Currently, the stock offers a decent yield of 2.5% to go along with the cheapish P/E.

Cheap food

With a P/E of 6, **Metro** (TSX:MRU) rounds out our list of value plays this week. Shares of the grocery store operator are up 15% over the past year versus a slight 1% loss for the **S&P/TSX Capped Consumer Staples Index**.

Metro is heading into 2019 on a positive note. In Q4, adjusted earnings spiked 35% as sales climbed 16% to $3.7 billion. It was Metro’s first full quarter since purchasing the Jean Coutu pharmacy chain.

“With the acquisition of the Jean Coutu Group, fiscal 2018 was a pivotal year for the Corporation that ended on a strong note with solid growth in same-store sales and adjusted net income in the fourth quarter,” said President and CEO Eric La Fleche.

When you combine the stock’s low P/E with its comforting beta of just 0.2, Metro’s downside looks limited.

The bottom line

There you have it, Fools: three attractive low P/E stocks worth checking out.

As always, they aren’t formal recommendations. Instead, view them as a starting point for further research. Low P/E plays can often turn out to be nasty “value traps,” so plenty of homework is still required.

Fool on.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:MEOH (Methanex Corporation)

2. TSX:MRU (Metro Inc.)
3. TSX:MX (Methanex Corporation)
4. TSX:NA (National Bank of Canada)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/01
Date Created
2018/12/23
Author
bpacampara