2 Undervalued Stocks that Should Be in Every TFSA

Description

If your New Year's resolution was to diversify your TFSA portfolio, there are certainly a few places to start. While investing in blue chip stocks such as one of Canada's Big Six Banks is pretty obvious, there are other areas that could also prove beneficial as an investment.

With the market finally on the rebound, now is the time to find stocks with a hopeful future with an undervalued share price. Here I'll be covering two stocks that fit right into this category: **Air Canada** (TSX:AC)(NYSE:AC) and **Cineplex Inc** (TSX:CGX)(NYSE:CGX).

Flying high

Air Canada's stock has been undervalued for months, but it's only recently that there's been some action. Between the volatile market and no earnings news in the last while, investors weren't excited to buy shares. After reaching about $28 per share in the summer, the stock plummeted about 20% in October, around the time when everything else went down as well.

Unfortunately, its earnings report didn't help. Despite reporting $2.03 earnings for share (EPS) for the quarter and revenue of $5.42 billion, shares remained on the 52-week low end.

The stock has seen its fair share of ups and downs since then. In December, however, there was a shift when handshakes started to happen over Air Canada's agreement to buy the Aeroplan loyalty program from Aimia Inc. for $450 million. The stock then dropped yet again, only to rebound after the completion of the loyalty program acquisition.

Although this may sound like a roller coaster ride you don't want to get on, investors should look at the company's history, as they'll not only see an upward trajectory, but also a few major bumps in share price. The stock now sits at the highs it once had.

So should you buy at this price? Analysts are saying absolutely. Air Canada should see 6% in revenue growth over the next five years due to its expansion projects. Analysts have put a fair share price at around $35, with the next 12 months having the potential to trade anywhere between $25 and $45.

Let’s go to the movies

While Air Canada might be a clear choice for your TFSA, Cineplex could take more convincing. The stock has around the same price tag as Air Canada of $28 at the time of writing, but the company’s recent history has been much higher.

When summer movies are hot, so is the stock. From May until November, shares were trading at between $30 and $35 before falling 22% after the company’s earnings report. Cineplex earned $386.72 million during its usually hottest quarter, down from analysts’ expectations of $405.60 million. Ouch.

As other Fool writers have mentioned, Cineplex is having a hard time proving that people are choosing the movies over streaming services. I mean, why would I go to the movies when I can watch them all later on **Netflix**?

However, the company has a number of plans in the pipe to bring back moviegoers, or at least attract them in other ways. One such example was Cineplex taking advantage of National Popcorn Day, where the company scooped out popcorn for free to movie attendees.

But the stock has more going for it than free popcorn. Even with a low share price, investors will receive a monthly dividend, with a yield of 6.37% at the time of writing. And analysts agree this stock is definitely undervalued given the expansion it has in the works. Most put the stock’s worth around $31, with the next 12 months looking more like $30 to $40 per share, which still well below its all-time high of around $53 per share.

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2. TSX:CGX (Cineplex Inc.)

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Date
2025/09/17
Date Created
2019/01/18
Author

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