TSX Sale! 4 Cheap Stocks to Ponder This Weekend

Description

Trawling through the TSX index for potentially undervalued has turned up the following four stocks, which are currently going cheap. Based on future cash flow valuation and market fundamentals, here are some of the best Canadian tickers that may be flying under your radar right now.

Exco Technologies (TSX:XTC)

With an average five-year earnings growth of 7% and debt of just 8.1% of its net worth, Exco Technologies is a solid choice for anyone bullish on the auto industry, and on the machinery industry in general. With a dividend yield of 3.8% and decent 21.3% expected annual growth in earnings on the table, it's also a potential buy for the casual passive-income investor.

However, while Exco Technologies put its assets to more efficient use than its peers last year (see an ROA of 8% compared to the average 5.3%), insiders have only been selling in the last three months. That said, with a P/E of 10.7 times earnings and P/B of 1.2 times book, the stock is now a bargain.

Husky Energy (TSX:HSE)

A good year was had by Husky Energy, with its past-year earnings up by 89.1%, crushing its own five-year average growth of 4.4%. The strictly risk averse may want to know that, while still within the relative safety zone of an adequate balance sheet, Husky Energy's level of debt compared to its net worth has gone up over the last five years from 20.7% to 31.7%, though insiders have bought more shares than sold them in the course of the last three months.

With a P/E of 9.4 times earnings and low P/B ratio of 0.7 times book, the stock is a steal right now; furthermore, a dividend yield of 3.77% may tempt the passive-income trader. However, a projected drop of 7.7% in earnings counts Husky Energy out for the growth investor, so the stock isn't for everyone.

Polaris Infrastructure (TSX:PIF)

Renewable energy is still the way forward according to many investors, and a good way to add some defensiveness to an ethical stock portfolio (or vice versa). With a focus on South America, stacking shares in Polaris Infrastructure will also add a bit of diversification to a North America-weighted basket of stocks.

A one-year past earnings growth of 629.4% places this stock firmly under the “outperforming” column, while a solid 56.8% five-year average denotes a good track record. Polaris Infrastructure’s level of debt against its net worth has gone down over the last half a decade from 159.6% to 94.3%, and while that level is high, it’s well covered by operating cash flow.

Manulife Financial (TSX:MFC)(NYSE:MFC)

A financials ticker for anyone looking beyond the usual Big Six, Manulife Financial’s one-year past earnings growth of 138.1% outshone the insurance industry average several times over for the same period. With a decent balance sheet and undervaluation delineated by a P/E of 9.7 times earnings and P/B of 1.1 times book, this stock pays a dividend yield of 4.42% and is looking forward to an 11.3% growth in earnings.

The bottom line

With its P/E of 10.5 times earnings and P/B of 0.6 times book, Polaris Infrastructure is a buy right now and a solid passive-income play to boot: see a high dividend yield of 7.44% matched with a 26% expected annual growth in earnings. Meanwhile, the other three TSX index stocks listed here represent good-quality investments for the general value-focused investor.

CATEGORY

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TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:PIF (Polaris Renewable Energy)
4. TSX:XTC (Exco Technologies Limited)

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