2 TSX Stocks With a P/E Under 5

Description

If you have ever read or followed Warren Buffett's advice and want to be a value investor, you know now is the time to buy TSX stocks.

While most stocks are low, some are a lot cheaper than others. But with so many options, we'll need to filter out the stocks that aren't cheap enough to buy.

When we look at the price-to-earnings (P/E) ratios, we can already get a quick glimpse into a company's value. It's a good way to start an initial search for your next stock. This way, you can reduce the number of stocks you have to spend time doing lengthy due diligence on.

It's important investors don't get hung up on a company's P/E. Earnings don't always reflect a business's full operating profits. With new accounting rules, sales of business units, for example, can positively or negatively affect a company's net income.

This is why we use the P/E ratio only as a means to eliminate more expensive stocks. Then once we have narrowed down the field of companies, we can start to look at the best TSX stocks to buy.

On the TSX today, there are a number of stocks with P/E ratios below five times. However, the top two TSX stocks to buy today would be **Corus Entertainment** (TSX:CJR.B) and **AltaGas** (TSX:ALA).

Media TSX stock

Corus is a media company that is trading extremely cheap. At current prices, Corus is one of the highest-value stocks on the TSX.

Despite the fact that many analysts are calling for lower TV advertising during this pandemic, I don't think that the drop off will be that bad. After all, everyone is stuck at home watching TV anyway.

Regardless of how bad it's impacted, Corus can deal with a major shock to its operations. It is financially strong and has little risk when it comes to its debt.

Plus, its dividend is just a small fraction of the company's earnings and free cash flow in a given year. This gives it major flexibility to ride out a short-term storm.

At Monday's close, the stock traded for just over $2.50. That's basically a P/E ratio of three times based on its 2019 earnings. The dividend also yields a whopping 9.3%, and that dividend rate was just 28% of last year's earnings.

It's impossible to predict how affected Corus's business will be, but clearly, at just three times earnings, the stock is extremely cheap.

Midstream and utility stock

AltaGas is an attractive TSX stock that has midstream energy assets in addition to natural gas utility services.

The natural gas distribution that AltaGas engages in accounts for just over half its business. This gives it stability and helps reduce risk of the overall business.

The midstream energy side has higher commodity exposure, but it also has major long-term growth potential. Both segments combine to make AltaGas a great value pick at these low prices.

The company has been one of the more volatile TSX stocks the last few weeks, as investors worry about AltaGas's commodity exposure and high debt loads.

The company has done a great job, however, over the last few years to strengthen its financial position in anticipation of a major market crash like we are seeing. This has left it in a lot better shape and is a major reason why AltaGas is a buy today.

As of Monday's close the stock was trading for under $12. That's nearly 50% off its highs and at a trailing P/E ratio of just 4.2 times.

Bottom line

There a numerous TSX stocks just like these companies, trading extremely cheap on a long-term basis. Investors who are willing to buy the stocks and be patient will be heavily rewarded. But don't miss your chance to buy soon; these discounts won't last forever.

CATEGORY

1. Coronavirus
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3. Investing

TICKERS GLOBAL

1. TSX:ALA (AltaGas Ltd.)
2. TSX:CJR.B (Corus Entertainment Inc.)

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Author
danieldacosta