TSX Stocks: 3 UNDERVALUED Canadian Titans to Buy Right Now

Description

Some Canadian blue-chip stocks were relatively slow to recover in the recent rally. Thus, they are still trading below their fair values and offer handsome upside potential. Instead of looking for opportunities in mid-cap or small-caps, I think investors who are sitting on some cash can consider these top **TSX** stocks.

Top TSX stocks: Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is one of the very few energy companies that is relatively well placed in the current COVID-19 crisis.

While dividend cuts became a custom among global energy companies this year, Canadian Natural stood strong and increased its payouts in March. It offers a dividend yield of 7% at the moment, the highest among peer TSX stocks.

The $29 billion energy giant differentiates itself mainly due to its diversified product base. It is a comparatively safe bet due to its large exposure to natural gas and natural gas liquids.

Top TSX stock Canadian Natural has more than doubled since its March lows. Despite its steep rally, the stock looks attractive from the valuation perspective. It is trading at a price-to-book value of 0.8 times, lower than many top energy stocks.

I think its stable dividend profile and discounted valuation make it an attractive investment proposition for long-term investors.

Emera

Top regulated utility **Emera** (TSX:EMA) is another worthy bet right now. Utilities are generally slow-moving stocks. However, Emera has shown a much quicker recovery, gaining around 30% in the last three months.

A $14 billion Emera operates in Canada, the U.S., and the Caribbean and collectively serves more than 2.5 million customers. It generates almost two-thirds of its total earnings from the U.S.

Emera pays handsome dividends, and it is currently trading at a yield of 4.5%. It has increased dividends by 6% compounded annually since 2000.

From the valuation standpoint, the stock is trading at a price-to-earnings valuation of 20 times, close to its historical average. That might seem a bit stretched for a utility stock, but I think its higher total return potential deserves a premium.

Though utilities might seem boring on the face of it, stable dividends and less-volatile stock movements could be useful amid broad market uncertainties.

Canadian Pacific Railway

Canadian Pacific Railway (TSX:CP)(NYSE:CP) is a relatively smaller peer in a two-player rail freight industry. Its unique network, operational efficiency, and earnings stability make it a solid pick for long-term investors.

Even if freight rail stocks have been affected by the pandemic in the last few months, they are consistent performers over the longer term.

Top TSX stock Canadian Pacific is currently trading 21 times its estimated 2020 earnings. That's marginally lower than the larger peer **Canadian National Railway**. Interestingly, CP stock has notably outperformed CNR in the last five years.

Investors should note that CP Rail has exhibited a superior revenue growth compared to peer CN Rail in the last few years. Thus, even if the prior's valuation multiple might look expensive, it looks attractive in relative terms given its higher growth prospects.

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3. TSX:CNQ (Canadian Natural Resources Limited)
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