Value Investing 101: Buy These TSX Stocks

Description

When looking for undervalued **TSX** stocks, there are a few main things you'll want to focus on.

First, the stock should have a relatively long track record of strong performance. It's also crucial that the company is in an industry that will see long-term growth as opposed to a company in a maturing industry.

Then you'll want to make sure the stocks are trading with a big enough margin of safety. It's crucial that investors value a stock themselves before considering the price of it. This helps eliminate biases and shows what your true value of the stock is before comparing it to its market price.

If you can focus on finding dependable companies with these qualities, you will set your portfolio up for significant long-term gains.

Here are two TSX value stocks to consider buying today.

Restaurant royalty stock

The first stock to consider is the quick-service restaurant stock, **A&W Revenue Royalties Income Fund** (TSX:AW.UN).

Before the coronavirus pandemic, A&W had consistently been one of the top TSX income stocks. The fund has snowballed over the last decade, increasing its store count as well as its same-store sales at an extremely impressive rate.

A&W has gotten so big and so popular, it's now the second-largest burger chain in Canada.

All of this growth has led to considerable dividend increases for investors. These continuous dividend increases are what have made A&W one of the top income stocks on the TSX.

However, when the pandemic hit, its business was affected enough that management had to suspend the dividend. This is a prudent move to conserve cash. However, it's left the stock trading extremely cheap.

As things start to open back up and A&W sees more and more business, the stock could bring back the dividend soon.

And with the stock trading roughly 35% off its 52-week high, it hasn't been this cheap since 2015. So, investors who buy today are getting the stock at an absolute steal.

Midstream TSX energy stock

The second stock to consider today is **Pembina Pipeline** (TSX:PPL)(NYSE:PBA).

Pembina is a high-quality company with defensive and robust business operations. Initially, in the beginning, stages of the panic back in March, the stock sold off by more than 70%.

However, after management reiterated its confidence in the dividend, the stock was quick to recover.

Pembina's operations consist of energy infrastructure assets. The company is primarily focused on pipelines, moving energy out of Western Canada. However, it also owns several gas-gathering and processing facilities as well as a logistics business and a growing export terminal business.

One of the main reasons why the stock is so attractive is the impressive integration Pembina has with all its assets.

The company offers a wide range of services all across the midstream energy sector, taking full advantage of its integration and competitive advantages.

That's the main reason why Pembina's business is so reliable. And because it has steady cash flows, its dividend is highly stable as well.

That dividend currently yields roughly 7.2%, an exceptionally appealing yield for a TSX stock, making it an excellent stock for income investors.

Pembina has recovered by more than 110% since the bottom. However, it's still roughly 35% off its 52-week high and offering a significant opportunity for investors who see its long-term value today.

Bottom line

Even when you consider the uncertainty and risks in the market today, these two TSX stocks look incredibly appealing.

And while there is no telling how they will perform in the short run, over the long run, you can count on these stocks to provide significant returns.

CATEGORY

1. Coronavirus
2. Dividend Stocks

3. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:AW.UN (A&W Revenue Royalties Income Fund)
3. TSX:PPL (Pembina Pipeline Corporation)

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