



Undervalued: 2 TSX Stocks to Buy Now

Description

While stock markets are rising, some **TSX** stocks remain dirt cheap. The two picks below, for example, could easily *triple* in price. One is a lucrative turnaround play. The other is a proven winner with more [upside](#) to go.

If you're looking to buy undervalued stocks, this is your chance.

This TSX stock will explode

Don't laugh, but **BlackBerry Ltd** ([TSX:BB](#))([NYSE:BB](#)) is Canada's next top growth stock.

You may remember this company as a smartphone manufacturer, but it didn't produce a *single* phone last year. That's quite a transition considering it controlled 20% of the global smartphone market in 2008.

If BlackBerry isn't making smartphones, what is it doing? Right now, the focus is completely on cybersecurity software.

Physical phones, the things you hold in your hands, are called *hardware*. Your phone's operating system, which runs the applications, is called software. These businesses couldn't be more different.

As we'll see, there are a few reasons why software companies have consistently been top-performing TSX stocks.

Hardware is expensive to make. For every new customer, you have to manufacture a new product. And every year or so, you need to update the hardware and hope consumers still buy it versus the competition.

Software, on the other hand, requires zero additional dollars to deploy to the next customer. All they need to do is click download, thereby improving margins significantly. And as devices are useless without software, these products have much higher retention rates.

BlackBerry today has ditched hardware completely to focus on software. It has some of the best cybersecurity software products in the world. Its [QNX](#) platform, for example, secures vehicles from hacking. It's already installed in 150 million cars and trucks worldwide.

Now trading at three times sales, BlackBerry is one of the cheapest TSX stocks that focuses on software. That's because the market hasn't caught onto the business transition. If shares traded at the industry average multiple, there would be at least 200% upside.

Trust this market genius

Constellation Software Inc. ([TSX:CSU](#)) is another company that is completely focused on software. But instead of cybersecurity, the company owns products that serve niche industries that you've never even heard of, like timber logistics or pharmaceutical manufacturing.

This focus on niche businesses brings a few advantages. Sure, the market potential is a lot smaller, but that also means there's less competition. Constellation's products are often the *only* solution. Customers couldn't switch to a competing product even if they wanted to.

These factors have given Constellation extreme pricing power and industry-leading retention rates. Not surprisingly, the company has been one of the best-performing TSX stocks in Canadian history.

Since 2006, shares have increased by 6,000%. A \$1,000 investment would have become \$60,000. You could have generated a \$1 million fortune with as little as \$17,000. Over the same period, the **S&P/TSX Composite Index** returned just 30%.

Now trading at 70 times earnings, most investors wouldn't call this TSX stock undervalued. But they'd be wrong. With returns on capital consistently above 30%, the company is worth the steep premium. If you don't believe me, just look at the stock's performance history.

CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:BB (BlackBerry)
2. TSX:BB (BlackBerry)
3. TSX:CSU (Constellation Software Inc.)

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