These 3 TSX Bargains Are Beyond Cheap

Description

TSX bargains are abundant on the TSX Index. Should the market suffer a reversal of momentum in July, the following deep value plays are already so battered that further downside pressure is likely to be modest relative to the broader markets.

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Without further ado, consider the following TSX bargains that are trading at varying discounts to book:

Ensign Energy Services

Starting with the riskiest, lowest cost stock on this three-stock sampler, we have **Ensign Energy Services** (TSX:ESI), an oil driller that's likely to be one of the cheapest stocks you'll ever come across based on traditional valuation metrics.

In short, shares of ESI trade as though the firm is on the cusp of an impending bankruptcy. The firm's terrific liquidity position suggests otherwise.

While energy service companies are likely to be among the unsexiest of places to invest your money these days, with the unprecedented pressure on the energy sector, value investors know that you've got to be a buyer of what nobody wants if you want to make a killing in the markets and improve your chance of scoring excess risk-adjusted returns.

Ensign trades at 0.14 times book, a bottom-of-the-barrel valuation that I believe makes it tough for investors to lose money over the extremely long term. Any modest improvement in the energy scene is likely to send Ensign stock taking off.

Corus Entertainment

Sticking with the theme of deep value, we have **Corus Entertainment** (TSX:CJR.B), another bruised company that's not going away anytime soon. The traditional media play found itself on the wrong side of a secular trend and got punished severely.

If you're of the belief that there exists a price such that every stock, even the hardest-hit ones, becomes a buy, Corus ought to be at the top of your shopping list after the latest round of coronavirus-induced pressures.

Similar to Ensign, Corus is in an unsexy industry that some bears believe is on the verge of dying. As a result, the stock trades at a ridiculously low 0.46 times book and 2.2 times EV/EBITDA. Despite the pressures weighing down the stock, the company still generates ample amounts of free cash flow.

Corus is highly liquid, with a 0.8 current ratio, and will survive the coronavirus disruption only to see its cash flows revert to normalized levels.

If you seek deep value and aren't afraid to go against the grain, Corus is a must-own. The company has its fair share of baggage, but the heavily discounted valuation more than makes up for this.

MTY Food Group

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Finally, we have the priciest stock on this list. **MTY Food Group** (TSX:MTY) trades at a 6% discount to book (0.94 times book) and is at risk of falling the hardest should another wave of government-mandated shutdowns be on the horizon.

The company is a food court staple, generating revenue from a wide range of mall-based food court brands, including Jugo Juice, Koya Japan, ManchuWok, Croissant Plus, among many other brands that you're probably familiar with.

As long as malls are deserted, MTY will see tremendous top-line pressure. On the flip side, if the coronavirus can be contained or eradicated by a vaccine, there's no telling how much high MTY can fly as it corrects to the upside. MTY could more than double on news of a vaccine, but in the meantime, shares will be under pressure by default.

MTY doesn't have the best liquidity or solvency metrics in the world, and given the magnitude of disruption to its operations, MTY is a name that's among the riskiest on this list. But it's also a name that could fly the highest on the advent of a vaccine.

MTY sports a 0.63 quick ratio and a 0.72 current ratio alongside a 1.75 debt-to-equity ratio. While the company has its fair share of longer-term debt, it remains liquid enough to survive this coronavirus onslaught.

CATEGORY

1. Coronavirus
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CJR.B (Corus Entertainment Inc.)
2. TSX:ESI (Ensign Energy Services Inc.)
3. TSX:MTY (MTY Food Group)

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