



Are Any TSX Stocks Undervalued? Consider These 3

Description

With several **TSX** stocks at all-time highs after this years' rapid recovery, it's going to be a lot more difficult to find undervalued investments.

Defensive stocks aren't cheap, as they have been bid up from the beginning of the recovery. In addition, a lot of high-quality defensive stocks have rallied significantly, too.

Unsurprisingly, tech stocks have also seen a massive rally — especially those tech stocks that have been positively influenced by the pandemic.

So, investors are going to have to take on a little more risk to buy undervalued TSX stocks. Here are three TSX stocks to consider that are still trading below fair value.

TSX telecom stock

The first stock to consider is **BCE** ([TSX:BCE](#))([NYSE:BCE](#)). As of Wednesday's close, the stock was down roughly 15 % from its 52-week high. While this isn't a massive discount, it still presents a great buying opportunity for such a high-quality, blue-chip TSX stock.

The company has seen inevitable impacts on its business, but in general, it's been able to weather the storm well. Part of that has to do with the fact that communication is an essential service in society these days.

The other main reason is due to BCE's impeccable financials, which allow it to be such a cash cow. The strong cash flow has allowed the company to continue to invest in growth capital. That's extremely important for BCE's long-term potential, especially at a time when 5G is rapidly coming to market.

Another significant benefit of its strong free cash flow generation is the fact that its [dividend has remained safe](#). This can be expected from a Dividend Aristocrat like BCE. And at a yield of 5.8%, BCE is definitely a top stock to consider buying today.

TSX pipeline

Another massive blue-chip TSX stock like BCE, but with an even bigger discount, is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). Enbridge is down more than 25% from its 52-week high.

The worries from investors is that the impact on energy producers will spill over and affect Enbridge. The thought is that if energy companies curtail production, less oil will need to be shipped via Enbridge's pipelines.

In reality, however, a lot of the lost capacity will be lost in railroads first due to the superior economics of shipping oil by pipeline.

In addition, Enbridge's other ancillary businesses, such as its gas utility, help to keep cash flow resilient.

All in all, the company is a top stock and, according to guidance, shouldn't even come close to having its dividend exceed its distributable cash flow this year.

Therefore, at just \$42.50 a share and a dividend that's yielding 7.6%, Enbridge is one of the top value stocks on the TSX today.

TSX entertainment stock

For those investors willing to take a bigger risk and looking for a stock with a bigger discount, I would recommend **Cineplex** ([TSX:CGX](#)).

The stock has been hammered by the pandemic, with movie theatres being some of the last businesses allowed to reopen. Now, however, as Canada progresses through the pandemic and flattens the curve, the company has reopened all of its The Rec Room and Playdium locations in addition to all of its theatres.

Social-distancing rules may have some impact on the business, but theatres have generally only operated at roughly 25-30% in the past.

There are a lot of other external factors to be considerate of as well. If studios elect to continue pushing back the release of movies, Cineplex may lack content to show its guests.

All in all, the stock is a bit of a gamble while we are in the pandemic, but it definitely has a tonne of potential. Therefore Cineplex could be the perfect stock for [contrarians](#).

Bottom line

There are still some undervalued TSX stocks. It just depends on how much risk you want to take on.

You may want to buy top blue-chip TSX stocks like Enbridge and BCE for cheap while you can. Or maybe you want to go with something that has more upside potential like Cineplex.

Whatever you choose, make sure to do your homework. After all, we're still in a pandemic.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:BCE (BCE Inc.)
4. TSX:CGX (Cineplex Inc.)
5. TSX:ENB (Enbridge Inc.)

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