TFSA Investors: 3 UNDERVALUED Stocks to Buy Now With $6,000

Description

Despite the fast and steep recovery in the stock market, shares of a few good businesses are available at lower price levels. While the pandemic took a toll on the demand and, in turn, the stock prices of these companies, their strong fundamentals indicate that these companies could bounce back as the economic activities gain pace.

The lower price levels of these companies indicate that investors could benefit significantly from the recovery in these stocks. If you invest through your Tax-Free Savings Account (TFSA), which has a limit of $6,000 for 2020, you get to keep all your capital gains and dividends, as they are tax-free.

So, let’s look into three undervalued businesses that could generate high returns in the long run.

Pembina Pipeline

So far, shares of **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) are down nearly 35% this year. The massive erosion in value for this energy infrastructure company is due to the plunge in demand for crude amid a supply glut.

While lower demand and a decline in crude oil prices remain a drag, Pembina Pipeline’s exposure is diversified across multiple commodities, including crude oil, natural gas liquids, condensate, and natural gas. Also, Pembina Pipeline’s base business is supported by long-term, fee-based contracts and includes take-or-pay contracts or cost-of-service arrangements to reduce volume and price risk.

The company expects to generate about 90-95% of its adjusted EBITDA for 2020 from fee-based contracts, which is likely to cushion the bottom line and support its payouts. Pembina Pipeline pays a monthly dividend of $0.21, which translates into a forward dividend yield of an attractive 8.1%.

The steep decline in Pembina stock, its low risk and resilient business, and high dividend yield make it a top stock for TFSA investors with a long-term investment outlook.

Spin Master

Shares of **Spin Master** (TSX:TOY) have shown a steep recovery from its March lows. Spin Master stock has risen about 203% since hitting its low of $9.73 on March 19, 2020. I have long maintained that Spin Master's problems are transitory, and the stock is likely to rebound sharply with improvement in the supply chain and the reopening of the economy.

The company's production flow issues are resolved, as its manufacturing units in China and Vietnam are operating at normal capacity. Moreover, its large customers, including **Walmart**, **Target**, and **Amazon**, have continued with their normal ordering pattern, which is encouraging.

Despite the solid recovery, Spin Master stock is still down over 25% year to date and presents an excellent entry point right before the key holiday sales season. Also, its digital portfolio remains strong and is likely to boost its stock in the long run.

Gildan Activewear

Similar to Spin Master, shares of **Gildan Activewear** (TSX:GIL)(NYSE:GIL) have also marked a stellar recovery and have nearly doubled from its March lows. However, its stock is still down over 29% this year, as persisting challenges in its imprintables channel remain a drag.

The absence of promotional and sporting events and store closures amid the pandemic has taken a significant amount of toll on its imprintables channel sales. Though the segment is likely to remain subdued in 2020, the reopening of stores is bringing some respite. Also, the company is witnessing improving sell-through trends, which should lend support to its stock.

Long-term investors could consider buying Gildan Activewear stock through the TFSA for outsized returns.

CATEGORY

1. Coronavirus
2. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:GIL (Gildan Activewear Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:GIL (Gildan Activewear Inc.)
4. TSX:PPL (Pembina Pipeline Corporation)
5. TSX:TOY (Spin Master)

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