2 TSX Stocks Trading at a 25% Discount

Description

When the market crashed back in March, there was a big opportunity to buy **TSX** stocks cheap. Investors took advantage, and the recovery was almost as quick as the initial selloff.

It seems as though today almost all stocks worth buying have recovered since the fall earlier this year. However, many high-quality stocks are still trading at significant bargains. The market can miss value sometimes; however, often stocks trading at major discounts are priced that way for a reason.

So it's crucial that in addition to looking for stocks with a discount, you still buy strong business you can own long-term.

Here are two of those discounted TSX stocks to buy today.

TSX royalty stock

A&W Revenue Royalties Income Fund (TSX:AW.UN) is a restaurant royalty company. The fund receives royalty payments from all the A&W stores in its restaurant pool. It then takes this cash pays what little administration fees and taxes it has and then essentially pays out the rest.

This makes it one of the best stocks on the TSX for dividend growth investors. Up until the coronavirus pandemic, A&W had been one of the top dividend stocks on the TSX. From 2016 until 2019, the company's revenue grew by more than 30%. This led the dividend to be increased by 20% over that stretch.

However, despite A&W's strong growth in the past, like almost every other restaurant stock, the pandemic has significantly impacted it. However, despite this impact, there are two positive takeaways. The company hasn't been fully impacted to the point of dine-in restaurants like **Boston Pizza**. The other positive is that the company is already on the road to recovery.

During the second quarter, when most of Canada was in shutdowns, A&W's revenue dropped nearly 30% from the year before. However, in the third quarter, a lot of that revenue recovered. Revenue for the third quarter came in down just over 8%.

The dividend has also been reinstated, so if you're looking for a high-quality dividend stock trading at an attractive discount, A&W is a top choice.

Top retail growth stock

The last stock to consider is a top retail growth stock, **Aritzia Inc** (TSX:ATZ).

Aritzia is a high-quality TSX stock due to its track record of performance. The company was on an impressive growth streak before the coronavirus pandemic impacted the entire retail industry. However, because Aritzia is such a robust company with such strong consumer loyalty, the stock has weathered the storm extremely well.

Despite the TSX stock being down a little more than 20% from the pandemic, Aritzia is actually up year to date. One of the reasons it's recovered so quickly is because investors know Aritzia's capabilities.

Leading up to the pandemic, Aritzia's growth was extremely impressive. The company's boutiques were massive cash cows. In fact, Aritzia estimated that most stores could break-even within less than two years. Aritzia has also never had to close one of its boutiques due to underperformance.

Despite this growth in its stores, Aritzia's management was extremely prudent. One of the main priorities through all the growth in Aritzia's sales at its boutiques was to continue to develop its e-commerce channel.

The TSX stock actually saw e-commerce as the future, and its boutiques would serve as income generating marketing tools. So when the pandemic hit, naturally, Aritzia has done a tonne to limit the impact on its revenue.

Aritzia is in great shape to not only weather the storm but potentially increase its market share through the pandemic. So if you're looking for a top growth stock at a significant discount, Aritzia is the stock for you.

Bottom line

Although a lot of TSX stocks have recovered from the lows of the pandemic, there is still a tonne of opportunities to buy stocks at attractive discounts. You just have to be careful to make sure the stock isn't a value trap.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATZ (Aritzia Inc.)
2. TSX:AW.UN (A&W Revenue Royalties Income Fund)

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1. Investing

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