3 TSX Stocks to Buy Now That Are Cheap

Description

It's tough to find value bets these days, as the stock market roared back from the March lows and regained its lost ground. However, a few stocks hit hard by the pandemic continue to trade cheap and offer good value.

While these **TSX** stocks are trading cheap, the recovery could take a couple of years. Thus, investors who can commit staying invested in these stocks for at least two years should consider these value bets.

Enbridge

With its stock is down about 21% year to date, **Enbridge** (TSX:ENB)(NYSE:ENB) offers an excellent opportunity to benefit from capital appreciation and dividend income in the coming years. While the uptick in economic activities is likely to support its mainline throughput volumes, a medical breakthrough in the coronavirus treatment could accelerate its pace of recovery.

Enbridge continued to impress with its financial performance, despite the challenges from the pandemic. Moreover, it generates strong distributable cash flows thanks to its diversified and highly contracted assets.

Enbridge is trading at a forward EV/EBITDA multiple of 11.2, reflecting a discount of about 16% from its three-year historical average. Moreover, its dividend yield stands at 8.5%, which is highly attractive and safe.

Suncor Energy

Canadian energy giant **Suncor Energy** (TSX:SU)(NYSE:SU) is also looking attractive on the price front. Suncor stock is down over 56% this year, as an uncertain demand outlook is restricting the recovery. While challenges persist, the reopening of the economy is driving a gradual improvement in its financial performance.

Suncor's operating loss narrowed sequentially, while funds from operations increased sharply on a quarter-over-quarter basis. While Suncor's operating performance shows signs of revival, its integrated business model, production mix shift, and focus on cost-cutting measures help navigate the crisis.

Suncor is trading at a forward EV/Sales multiple of 1.6, reflecting a discount of about 30% from its historical average. Moreover, Suncor stock offers a decent dividend yield of 4.7%.

Air Canada

With the easing of lockdown measures, cost reductions, and resumption of domestic operations, **Air Canada** (TSX:AC) reported a strong improvement in its net cash burn rate on a sequential basis. While deep capacity cuts, closure of international borders, and negative passenger sentiments continue to hurt its financials, its key operating metrics have started to show improvement.

While the continued spread of the virus is likely to hurt passenger volumes, Air Canada's capacity is expected to improve sequentially. At the same time, the operating loss is expected to narrow down in the coming quarters.

However, Air Canada could take at least a couple of years to return to the pre-pandemic levels. Meanwhile, the reopening of the international borders and positive development on the COVID-19 vaccine could significantly reduce its recovery time and lift its stock higher.

Final thoughts

Despite the uncertainty, I believe the worst is over for these TSX stocks. With the reopening of the economy, all these companies are likely to witness strong sequential improvement. So, investors looking for stocks trading cheap could consider buying these top TSX names for multi-fold returns.

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