Top 3 Value Stocks to Buy for Your TFSA in December

Description

Your Tax-Free Savings Account (TFSA) should be used to invest, not hoard cash in this era of rock-bottom interest rates. This piece will bring three dirt-cheap stocks that I think should be considered by deep-value investors who are willing to go against the grain with the latest rotation out of defensive value.

Metro

Metro (TSX:MRU) is a Canadian grocer that's at the top of its class. As you're probably aware, margins are razor-thin in the grocery business. But top performers like Metro have been bucking the trend without compromising on the sales growth front. Unless you're from Quebec or Ontario, you've probably never been to a Metro location, but that's okay. The company has a moat around the localities it serves, but, most importantly, management knows how to drive operational efficiencies like few others in the space.

The stock was running hot right up to the promising **Pfizer** vaccine breakthrough, which caused MRU stock to plunge nearly 9%. It was a fast and furious correction. Investors ditched defensives to punch their ticket into the COVID recovery plays. While the pandemic's end is now in sight, it's important to remember that the current wave is going to be a terrible one. And Metro is one of the firms that can hold its own come the next round of partial lockdowns in what's shaping up to be a very dark winter.

North West Company

North West (TSX:NWC) is another top-tier retailer that you've probably never heard of, unless you live in a remote Canadian region in the northwest (hence the name of the company). Like Metro, North West has a pretty wide moat around the communities it serves. The company serves the underserved, and it's not going to see its revenues slump just because the pandemic-driven pull-forward in demand will fade next year, once vaccines have a chance to be administered.

North West is a boring but beautiful defensive stock that investors should buy following its correction.

The stock trades at 12.8 times next year's expected earnings, which is absurdly cheap, given the calibre of the business you're getting. As others look to rotate out of defensives, I'd be more inclined to scoop up bargains like NWC while their valuations are depressed.

The juicy 4.3% yield is just a cherry on top of an already attractive sundae.

Alimentation Couche-Tard

Last but certainly not least, we have convenience store kingpin **Alimentation Couche-Tard** (TSX:ATD.B). The firm has been firing on all cylinders of late, but its stock hasn't done much.

The company recently pulled the trigger on a US$360 million deal that gave it a front-row seat to the high-ROIC Asian market. I have a feeling that the deal marks the first of many acquisitions in the Asian region. With an incredible liquidity position, Couche can fire away at a series of major acquisitions over the next year and beyond. Each deal is likely to create big value for shareholders, as the firm looks to get busy on the M&A front again.

Just a few days ago, Couche pulled the curtain on strong results, yet shares sold off in the following trading sessions. I think investors have the green light to load up on shares post-earnings before investors have a chance to draw their focus away from the broader rotation and towards what really matters: the company specifics.

Couche-Tard looks as good as it has in years, yet the stock is stuck in a consolidation channel. If you seek value and growth, Couche is too good to pass up in the low $40 levels.

CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:MRU (Metro Inc.)
2. TSX:NWC (The North West Company Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Coronavirus

2. Investing
3. Stocks for Beginners

Date
2025/08/23
Date Created
2020/11/29
Author
joefrenette