



3 Undervalued TSX Stocks That Can Deliver Superior Returns in 2021

Description

The vaccine euphoria has been driving the Canadian equity markets since the beginning of November, with the **S&P/TSX Composite Index** rising close to 13%. Currently, the index trades just 2.1% lower from its all-time high. Amid the improved investors' sentiments, here are the three undervalued stocks that could deliver high returns in 2021.

Canopy Growth

First on my list is **Canopy Growth** ([TSX:WEED](#))(NYSE:CGC), one of the world's largest cannabis companies. Amid the increased interest in cannabis stocks and its [strong second-quarter performance](#), Canopy Growth's stock price has risen 34% since the beginning of last month. Despite the recent surge, the company trades over 50% lower from its all-time high, as the structural issues in the cannabis sector had weighed heavily on its stock price.

Meanwhile, the United States offers immense growth potential for cannabis players, given the progress in cannabis legalization and the victory of Joe Biden in the United States presidential elections. To capture the growing United States's cannabis market, Canopy Growth has taken several initiatives.

In September, the company had partnered with Martha Stewart to launch a portfolio of hemp-derived CBD products. Its subsidiary, BioSteel Sports Nutrition, has partnered with Manhattan Beer and Reyes Beer Division to expand its ready-to-drink sports beverages across the United States. It had also launched an e-commerce website, which sells all its products across the brands.

Meanwhile, in Canada, Canopy Growth is focused on repositioning its value products with higher and more consistent THC ranges, improving its quality, and expanding its Cannabis 2.0 offerings to increase its market share. Given the growing cannabis market and its growth initiatives, [I am bullish on Canopy Growth](#).

Cineplex

Second on the list is **Cineplex** ([TSX:CGX](#)), which owns and operates 164 theatres across Canada. Amid the pandemic-infused restrictions, the company had incurred around \$220 million losses in the previous two quarters. Its rising debt and high cash burn had also weighed heavily on its stock price. Meanwhile, buying in Cineplex has returned amid vaccine hope. However, the company still trades over 70% lower for this year and provides an excellent buying opportunity.

As of September 30, Cineplex had opened all its theatres but operated at a limited capacity as per the local government's orders. Meanwhile, the vaccine's widespread availability could increase footfalls and help the company operate at full capacity, thus boosting its financials and stock price. The company has also taken several measures, such as slashing its workforce to lower its cash burn and net losses.

Meanwhile, the rising COVID-19 cases in Canada are a cause of concern. However, given the encouraging news on the vaccine and the significant discount of its stock price, Cineplex could deliver superior returns in 2021.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)), which operates a highly regulated and diversified energy business, is my third pick. The decline in economic activities amid the pandemic had caused oil demand to fall, lowering the throughput of the company's pipeline segment. Meanwhile, oil prices have been moving north amid the favourable news on the vaccine.

Last week, the U.S. Energy Information Administration (EIA) provided a promising near-term outlook for the energy sector. The U.S. federal agency projects Brent oil to average around \$49 in 2021, representing an increase of 14% from the expected average in the fourth quarter of 2020. So, higher oil prices could boost Enbridge's throughput, driving its financials and stock price.

Further, its rate-regulated transportation and distribution business that generates 98% of its adjusted EBITDA could provide stability to its financials. Enbridge has also planned to spend \$5 billion over the next two years on growth projects. Despite its growth prospects, Enbridge trades close to 18% lower for this year, providing an excellent opportunity to buy.

CATEGORY

1. Cannabis Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NASDAQ:CGC (Canopy Growth)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CGX (Cineplex Inc.)
4. TSX:ENB (Enbridge Inc.)
5. TSX:WEED (Canopy Growth)

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