5 Undervalued TSX Stocks to Buy Right Now for 2021

Description

Thanks to the stellar recovery rally following the March selloff, the Canadian stock market appears to be overvalued. However, a few TSX-listed stocks are undervalued and are looking like attractive bets for 2021.

Here are the five undervalued stocks to buy in 2021.

Kinross Gold

Kinross Gold (TSX:K)(NYSE:KGC) stock looks highly attractive on the valuation front. It is trading at the next 12-month EV/EBITDA multiple of 3.7, reflecting a discount of about 35% compared to the peer group average of 5.7. Moreover, its forward P/E multiple of 7.7 is also well below the peer group average.

Kinross Gold stock is expected to benefit from the steady increase in production and downtrend in production costs. Further, the company has reinstated its dividends and currently offers a decent yield of 1.8%.

Capital Power

Shares of **Capital Power** (TSX:CPX) are trading at a next 12-month EV/EBITDA multiple of 8.9, which indicates a discount of about 27% compared to the peer group average multiple of 12.3. Besides trading cheap, Capital Power stock offers a high yield of over 5.5%.

I believe the uptick in economic activities is likely to drive power demand and support Capital Power stock. The company's young asset base, long-term power-purchase agreements, and a robust pipeline of contracted growth opportunities position it well to deliver strong returns. Further, the company projects 7% growth in its dividend in 2021.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) stock trades at a price/book value ratio of 1.2, which is about 23% lower than its peer group average of 1.6. While Bank of Montreal stock trades at a discount to peers, it has impressed with its recent financial performance. Further, it has paid dividends for 192 years, and its payout ratio of 40-50% is sustainable in the long run.

Bank of Montreal has returned to profit, thanks to the continued improvement in loans and deposits and lower non-interest expenses. I believe the economic reopening is likely to drive credit demand and support the Bank of Montreal's revenue in 2021. Further, lower credit provisions and improvement in efficiency ratio is expected to drive its earnings and dividends.

Loblaw

Food retailer **Loblaw** (TSX:L) is trading at a next 12-month P/E multiple of 13.4, reflecting a discount of about 28% compared to the peer group average of 18.5. While food retailers could witness moderation in demand and face tough year-over-year comparisons in 2021, Loblaw's value offerings and e-commerce expansion could continue to drive its same-store sales and support its margins.

Loblaw is expanding its digital capabilities and offers the convenience of in-store shopping, home delivery, and pickup services, which bodes well for future growth. Further expansion of product offerings should drive its basket size in the coming quarters.

Pembina Pipeline

Shares of the energy infrastructure company **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) are trading at the next 12-month EV/EBITDA ratio of 10.2, reflecting a discount of 13% compared to its peer group average of 11.8. Further, the company offers robust dividends, thanks to its ability to generate strong fee-based cash flows.

Pembina Pipeline stock is expected to benefit from the recovery in demand for crude and other liquid hydrocarbons in 2021. Meanwhile, its highly contracted business suggests that its shareholders could continue to benefit from higher dividend payments. Pembina Pipeline offers a stellar yield of 7.4%.

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2. NYSE:KGC (Kinross Gold Corporation)
3. NYSE:PBA (Pembina Pipeline Corporation)
4. TSX:BMO (Bank Of Montreal)
5. TSX:CPX (Capital Power Corporation)
6. TSX:K (Kinross Gold Corporation)
7. TSX:L (Loblaw Companies Limited)
8. TSX:PPL (Pembina Pipeline Corporation)

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Date
2025/08/24
Date Created
2021/01/29
Author
snahata