



Got \$500 to Invest? Buy these 3 Undervalued TSX Stocks Now

Description

Even after the stellar recovery rally in equities, a few **TSX** stocks are offering good value. So if you plan to invest \$500 in equities, consider buying these undervalued stocks right now.

Absolute Software

Despite the massive rally, **Absolute Software** ([TSX:ABST](#))([NASDAQ:ABST](#)) stock is trading at a lower valuation than its peers and has good growth prospects. Absolute Software stock is trading at the next 12-month (NTM) EV/Sales multiple of 5.2, which is lower than its tech peers, including **BlackBerry**, **Enghouse Systems**, and **Docebo**.

BlackBerry, Enghouse, and Docebo stock are trading at NTM EV/Sales ratio of 7.4, 5.7, and 20.7, respectively.

Absolute Software is likely to benefit from the higher spending on cybersecurity. Its total annual recurring revenue (ARR) is [growing at a healthy pace](#), which is encouraging. ARR is an important indicator of future recurring revenues. Double-digit growth in its ARR suggests that the company could deliver strong revenues in the coming quarters, which is likely to support its margins and profitability.

Absolute Software expects its top-line to increase by 12-14% in 2021. Meanwhile, its adjusted EBITDA is likely to grow at a brisk pace, reflecting customer additions, cross-selling opportunities, and strong international business growth. Furthermore, the absence of direct competitors, its zero-debt balance sheet, robust product pipeline, and a large addressable market bode well for growth.

Kinross Gold

Kinross Gold ([TSX:K](#))([NYSE:KGC](#)) stock is too cheap to ignore. It witnessed a sharp pullback in the recent past and looks attractive at the current price levels. Kinross Gold is trading at an NTM EV/EBITDA ratio of 3.8, compared to the **Barrick Gold**, **Kirkland Lake Gold**, and **Yamana Gold** 's EV/EBITDA multiple of 5.8, 5.0, and 4.3, respectively. Moreover, its forward P/E multiple of 7.9 reflects a discount of about 37% from its peer group average.

Kinross Gold is an attractive long-term play. Its production is forecasted to increase over the next three years. Moreover, its production costs are expected to decrease, supporting its margins and driving its future earnings. Also, investors are likely to benefit from Kinross Gold's reinstatement of dividends. It offers a decent yield of 1.7%.

Pembina Pipeline

Shares of pipeline giant **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)) are currently trading at a forward EV/EBITDA ratio of 10.2, reflecting a discount of 18% compared to its peer group average. In comparison, **Inter Pipeline**, **Enbridge**, and **TC Energy** are trading at forward EV/EBITDA ratio of 13.8, 11.9, and 11.4, respectively.

I believe the recovery in volumes and pricing of commodities are likely to drive Pembina Pipeline's top and bottom-line in 2021 and beyond.

Moreover, its low-risk business and long-term contractual arrangements are expected to drive its fee-based cash flows and drive future dividend payments. Pembina projects its adjusted EBITDA to be in the range of \$3.2 to \$3.4 billion in 2021. Further, new projects are expected to support its long-term growth.

Thanks to its resilient fee-based cash flows, Pembina consistently [boosts its shareholders' returns](#) through higher dividend payments. It has hiked its dividends at an average annual growth rate of 4.2% in the last decade and offers a high-yield of 7.1%.

CATEGORY

1. Coronavirus
2. Dividend Stocks
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4. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:KGC (Kinross Gold Corporation)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:ABST (Absolute Software)
4. TSX:K (Kinross Gold Corporation)
5. TSX:PPL (Pembina Pipeline Corporation)

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