



Got \$1,000? 3 Undervalued TSX Stocks to Buy in March

Description

Despite the stellar run-up in Canadian equities, not every **TSX**-listed stock is looking expensive. A few stocks are trading at a good discount and offer great value at the current levels. Let's focus on three TSX stocks that are undervalued and have room for strong growth in the future.

Capital Power

Capital Power ([TSX:CPX](#)) stock looks attractive at the current price levels. Shares of the power producer are trading at an NTM (next 12-month) EV/EBITDA multiple of 8.0, which is about 34% lower than its peer group average of 12.1. In comparison, shares of **Algonquin Power & Utilities** and **TransAlta Renewables** trade at a forward EV/EBITDA multiple of 13.2 and 13.4, respectively. Meanwhile, Capital Power stock is also trading lower than **Canadian Utilities** and **Fortis** stock on the valuation front.

Capital Power's attractive valuation and low-risk business strengthen my bullish view on its stock. Its high-quality asset base, long-term power-purchase agreements, and growing renewables portfolio position it well to deliver healthy returns in the coming years. Capital Power is also likely to boost its investors' returns through higher dividend payments, thanks to its predictable and growing cash flows.

It has consistently raised its dividends in the last seven years. Moreover, it projects its annual dividend to increase by 7% and 5% in 2021 and 2022, respectively. Capital Power currently offers a high yield of over 5.9%.

Bank of Montreal

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) started FY21 on a strong note and delivered [stellar Q1 performance](#) on the back of loans and deposit growth, expense management, and lower provisions. I believe the ongoing vaccination and economic expansion will drive strong consumer demand and support Bank of Montreal's financial performance.

Further, its stock is trading cheap compared to peers, which provides an excellent entry point for investors. Shares of Bank of Montreal are trading at a price to book value multiple of 1.2, which is

nearly 27% lower than its peer group average. **Toronto-Dominion Bank** and **Royal Bank of Canada** stocks are trading at a price to book value multiple of 1.6 and 1.9, respectively.

Bank of Montreal's loans and deposit volumes are likely to increase in the coming quarters, driving its net interest income higher. Meanwhile, a sharp decline in credit loss provisions and tight expense management are expected to drive its earnings, in turn, its dividends and share buybacks.

Apart from trading at a lower valuation, Bank of Montreal also offers a decent dividend yield of 4.0%. The banking giant has paid dividends for about 192 years and remains on track to continue to boost its shareholders' returns through higher dividends.

Kinross Gold

Kinross Gold ([TSX:K](#))([NYSE:KGC](#)) is [too cheap to ignore](#) at the current price levels. As the economy shows signs of revival, investors shunned gold, which led to a steady decline in Kinross Gold stock. However, it provides an opportunity to load on the fundamentally strong gold stock for the long term.

Shares of Kinross Gold trade at an NTM EV/EBITDA multiple of 3.6, about 27% below the peer group average of 4.9. Further, its stock is trading about 41% lower when compared to **Barrick Gold's** NTM EV/EBITDA multiple of 6.1.

I believe higher production volumes and lower production costs are likely to support Kinross margins, in turn, its dividend payments. The gold mining company restarted to pay quarterly dividends and offers a dividend yield of 1.9%.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:BMO (Bank Of Montreal)
4. TSX:CPX (Capital Power Corporation)
5. TSX:K (Kinross Gold Corporation)

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