4 Top UNDERVALUED TSX Stocks to Buy Today

Description

The majority of Canadian stocks look unattractive on the valuation front, thanks to the stellar recovery rally in the past 11 months. However, a few **TSX**-listed companies continue to trade at a lower valuation multiple and could deliver strong returns.

Scotiabank

Scotiabank (TSX:BNS)(NYSE:BNS) stock has recovered all of its losses and is up about 66% in one year. Despite the recent run-up in its stock, it is still trading at a noteworthy discount compared to its peers. Scotiabank's price to book value multiple of 1.4 is well below the peer group average of 1.8. Moreover, its forward price to earnings multiple of 11.3 is also lower than **Royal Bank of Canada** and **Toronto-Dominion Bank**.

I believe Scotiabank's lower valuation multiple and strong growth prospects positions it well to deliver strong returns in the long term. The uptick in loans, strong deposit volumes, and exposure to the high-growth markets are likely to drive Scotiabank's top line. Meanwhile, lower credit provisions and improved efficiency are expected to cushion its bottom line. Further, Scotiabank is expected to boost investors' returns through increased dividend payments and share repurchases.

Kinross Gold

The decline in gold prices has taken a toll on **Kinross Gold** (TSX:K)(NYSE:KGC) stock, which has lost a significant amount of value recently. However, the pullback in its stock makes it attractive on the valuation front. Kinross Gold's EV/EBITDA ratio of 4.1 is fairly below **Barrick Gold** and **Yamana Gold**'s EV/EBITDA multiple of 6.3 and 4.8, respectively.

While gold prices are trending lower in the short-term, Kinross Gold is expected to gain from the increase in production volumes and lower costs. Further, the company could continue to enhance investors' returns through regular dividend payouts.

Pembina Pipeline

Pembina Pipeline's (TSX:PPL)(NYSE:PBA) forward EV/EBITDA multiple of 10.3 is well below **TC Energy** and **Enbridge**'s forward valuation multiples of 11.5 and 12.3, respectively. Further, Pembina stock is also trading well below its historical average multiple, providing a good entry point for long-term investors.

While its valuation looks attractive, Pembina stock is expected to benefit from the recovery in demand, which is likely to drive volumes and pricing. Furthermore, its integrated and highly-contracted energy assets are likely to generate strong fee-based cash flows and drive higher dividend payments. It offers a stellar yield of over 7%, which is very safe.

Suncor Energy

Investors snapped up **Suncor Energy** (TSX:SU)(NYSE:SU) stock on hopes of a revival in demand and higher oil prices. However, the increase in COVID-19 cases across the world has led to a 10% decline in its stock in the last five trading days, providing investors an excellent opportunity to buy the dip. Also, its stock is still trading at an attractive discount when compared to the pre-COVID levels.

Notably, higher crude prices and increased volumes are expected to drive Suncor's revenues and funds from operations. Meanwhile, its integrated assets, improved product mix, and reduction in costs are likely to cushion its earnings and drive share repurchases and regular dividend payments. Suncor's annual dividend of $0.84 a share reflects a yield of 3.3%.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Energy Stocks
5. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:KGC (Kinross Gold Corporation)
3. NYSE:PBA (Pembina Pipeline Corporation)
4. NYSE:SU (Suncor Energy Inc.)
5. TSX:BNS (Bank Of Nova Scotia)
6. TSX:K (Kinross Gold Corporation)
7. TSX:PPL (Pembina Pipeline Corporation)
8. TSX:SU (Suncor Energy Inc.)

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