



4 Undervalued Canadian Stocks to Buy Under \$40 in 2021

Description

Just last week, the **TSX Index** popped over 19,000 points. Yet, ever since then, Canadian stocks have been on a slight decline. The good news is, the recent dip is providing a great chance to buy some high-quality, [undervalued stocks](#).

Whenever you are dealing with value stocks, you have to be prepared to think long term, be patient, and trust your gut through the market cycle. If I were looking for reasonably priced investments today, here are four top Canadian stocks that are trading under \$40 per share.

Telus: A quintessential Canadian dividend stock

Telus ([TSX:T](#))([NYSE:TU](#)) is a great kind of Canadian value stock to buy on any sort of pullback. It is trading around \$26 per share. Telus just has a great mix of wireline and wireless assets and services. In fact, it has some of the fastest data and broadband speeds among peers in Canada and North America. Consequently, in 2020 it had the highest rate of net new customer additions among competitors.

While Telus is not necessarily cheap (at least compared to peers), it has a significant amount of hidden value. It has been [investing heavily into digital verticals](#) in IT, health, agriculture, security, and connectivity. Steadily, each of these are becoming substantial businesses.

You only have to look at the successful IPO of **Telus International** for proof. The market has largely not factored these higher-multiple opportunities into the stock. Consequently, this Canadian stock is a great buy for its nice 4.7% yield and the potential for substantial long-term returns.

Pembina Pipeline: An energy recovery stock

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is a beat-up energy stock that looks attractive today but especially attractive in a post-pandemic world. Today, its stock trades under \$36 per share and pays a fantastic 6.76% dividend.

This Canadian stock has prudently managed through the pandemic and prioritized shareholder returns over its capex budget. The company will probably not grow much in 2021. However, it is primed for stronger energy demand in 2022 and beyond.

This company has a very stable contracted stream of cash flows. All of its distributions are covered by cash flows derived from its very predictable pipeline assets. While you wait for oil prices to recover, you get paid an ample dividend. All you have to do is be patient and collect your dividend cheques.

Alimentation Couche-Tard: A bet on retail

Another misunderstood Canadian stock is **Alimentation Couche-Tard** (TSX:ATD.A)(TSX:ATD.B). After its failed attempt to acquire French grocer **Carrefour**, Couche-Tard has largely traded below its price prior to the acquisition. Today, it is trading just around \$40 per share. Yet, fundamentally, nothing has really changed with the business going forward.

This Canadian stock has been an incredibly successful consolidator of convenience stores across the world. Couche-Tard has been challenged by the pandemic, but it just reported fairly solid earnings regardless. It has been expanding its merchandise offerings, and is making forays into EV charging stations. It has \$5.3 billion of liquidity, so it is primed for another big acquisition and growth ahead.

Intertape Polymer: A Canadian e-commerce stock

The last undervalued Canadian stock to look at today is **Intertape Polymer Group** ([TSX:ITP](#)). Supported by strong demand for e-commerce- and construction-related tapes/wrapping, Intertape had a record-breaking year in 2020. For a number of years, this stock has lagged. Intertape was investing heavily in expanding its product lines and production capacity.

Largely, its investment plan is complete, so it now has very high free cash flow margins. This stock yields 2.7% and trades with an attractive price to earnings below 20 times. This stock is about \$30 per share today. Yet, I expect the continued momentum in e-commerce will continue to propel this Canadian business forward for many years to come.

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TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:TU (TELUS)
3. TSX:ATD (Alimentation Couche-Tard Inc.)
4. TSX:ITP (Intertape Polymer Group)
5. TSX:PPL (Pembina Pipeline Corporation)
6. TSX:T (TELUS)

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