3 TSX Value Stocks I'd Buy and Hold Forever

Description

The stock market may be a tad on the expensive side, but that doesn't mean there aren't opportunities out there.

With vicious rotations and reverse rotations, there's never been a better time to be a self-guided stock picker. The bond market has caused growth-to-value rotations and reversals, while coronavirus cases have caused lockdown-to-reopening rotations and reversals. Rather than trying to time exogenous events and their impact on the stock market, you'd be better advised to swing at the good pitches that are thrown in your strike zone.

Kinaxis

Kinaxis (TSX:KXS) is a supply-chain software developer that can't seem to catch a break. The firm's pandemic tailwinds are slated to fade, and the latest distaste for tech has been a punch to the gut of the up-and-coming SaaS company. Moving into the post-pandemic world, I do see scenario analyses continuing to remain strong as the demand side of the supply chain explodes higher.

After taking a big hit, KXS stock now trades at 14 times sales — far lower than most SaaS peers south of the border. Management thinks Kinaxis can return to 23-25% in SaaS growth in 2022. The firm, which recently issued weak guidance, has a low bar ahead of it. And with that, I think the stage is set for Kinaxis to pole-vault right over expectations in post-pandemic quarters.

Following the latest quarterly flop, Kinaxis has been dealt with a few price target downgrades. Ultimately, I think patient investors have much to gain by going against popular opinion at this juncture.

Couche-Tard

Alimentation Couche-Tard (TSX:ATD.B) got sent into a bear market, as management shocked the world by going after French grocery retail giant Carrefour. The deal fell through in a hurry as theFrench government “politely” blocked the deal over food security issues amid the pandemic.

Couche would love to have another go at Carrefour in the future. While a grocery giant doesn’t seem to make sense for the convenience retailer, I think investors should have applauded the deal. Perhaps management didn’t communicate its strategic plan very well?

In any case, I understand why Couche wants to acquire a grocery giant; it’s doing this to gain immediate access to a grocery supply chain. With a grocery giant aboard, the firm will be able to enhance numerous existing c-stores, ultimately bolstering overall margins for the long haul.

You see, with the rise of electric vehicles, the future of convenience retail lies in fresh food and grocery items, not fuel. Couche’s managers know this, and that’s why they’re hungry for a grocery acquisition, even if its shareholders don’t like it.

Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) is the priciest Canadian bank at this juncture. The top performer recently made a fresh all-time high, but don’t let the valuation fool you; Royal is still one of the more undervalued plays out there, especially if you think a rising-rate environment isn’t too far off.

The bank’s capital markets and wealth management businesses have kept Royal Bank on top through the worst of 2020. As net interest margins (NIMs) expand over the coming years, Royal will be firing on all cylinders, and its stock could be headed for even greater highs from here as it hops on the next bull market.

While all Big Six Canadian banks look like compelling bets, I think it’s tough to match what Royal has to offer, given it’s demonstrated it can hold its own far better in the face of crises.

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