Got $1,000? The 4 Best Undervalued TSX Stocks to Buy Right Now

Description

The stock market could remain volatile in the short-term amid rising COVID-19 cases across the world. However, widespread vaccine distribution and an expected recovery in corporate earnings are likely to fuel growth in stocks trading at attractive discounts to their peers. So, if you have $1,000 to invest, here are the four best undervalued TSX stocks that could deliver higher returns in the medium to long term.

Loblaw

Food retailers are likely to witness normalization in demand in 2021 and face tough year-over-year comps. However, I believe **Loblaw** (TSX:L) could continue to deliver impressive comparable sales on the back of sustained momentum in its e-commerce business. Loblaw stock is trading at an attractive valuation multiple when compared to peers.

I believe its home delivery and pickup services could continue to drive traffic. Meanwhile, its connected healthcare offering, expansion of the front-store offer online, and rewards program augur well for future growth. Loblaw's next 12-month (NTM) price-to-earnings (P/E) multiple of 14.9 is lower than **Metro's** and **Alimentation Couche-Tard's** forward multiples of 16.4 and 16.8, respectively, making it an attractive defensive bet at the current price levels.

Cineplex

Cineplex (TSX:CGX) stock has surged more than 50% in six months. However, it has reversed a significant portion of its gains and is down about 19% in the last 10 trading days, providing investors an excellent opportunity to go long on this top post-pandemic play. I believe the reopening of its theaters and entertainment venues could significantly boost its financials and, in turn, lift its stock higher.

With the wide availability of the vaccine, I expect to see a sharp improvement in Cineplex's revenues and capacity. Its lower cost base is likely to support its bottom line. Cineplex stock is trading well below its pre-COVID levels and is expected to deliver stellar returns, as its operations are likely to return to the normal levels in the coming quarters.

Scotiabank

Scotiabank (TSX:BNS)(NYSE:BNS) stock witnessed strong buying in the recent past, as it increased by about 46% in the past six months on hopes of economic expansion and recovery in earnings. Despite the recent run in its stock, Scotiabank stock is trading well below its peer group average. Notably, Scotiabank's price-to-book value multiple of 1.4 is significantly below **Toronto-Dominion Bank's** and **Royal Bank of Canada's** price-to-book value multiples of 1.7 and two, respectively.

I believe the uptick in its loan portfolio, the economic recovery, and exposure to high-growth banking markets are likely to drive its revenues. Meanwhile, reduction in credit provisions and operating leverage are likely to cushion its bottom line and, in turn, its stock price. Also, Scotiabank is expected to continue to boost its shareholders' returns through higher dividend payments in the coming years.

Kinross Gold

Kinross Gold (TSX:K)(NYSE:KGC) stock has lost a significant value in the recent past, making it highly attractive on the valuation front. Its EV/EBITDA ratio of 4.1 reflects a discount of about 35% compared to **Barrick Gold's** forward trading EV/EBITDA multiple. Also, its NTM P/E ratio of 9.3 compares favourably to peers.

While Kinross Gold stock is trading at a discount, its production is projected to increase in the coming years. Its cost base is likely to decline during the same period, giving a major boost to its earnings and cash flows. Further, Kinross Gold could continue to enhance its shareholders' returns through consistent dividend payments.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
4. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:KGC (Kinross Gold Corporation)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:CGX (Cineplex Inc.)
5. TSX:K (Kinross Gold Corporation)
6. TSX:L (Loblaw Companies Limited)

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