3 Amazingly Undervalued TSX Stocks to Buy in 2021

Description

Several **TSX** stocks are currently trading below their actual market values. The undervalue could be sector-specific, or sometimes volatile market conditions could depress a company's stock price. For value investors, it presents a buying opportunity. They can purchase shares at discounted prices instead of face values.

If the company is well established or the business model is promising, the stock price usually returns to its original value. Over time, the undervalued stock will show its true worth, thereby assuring value investors of profits.

Top horse

Tourmaline Oil (TSX:TOU) seems to be undervalued despite its 39.2% year-to-date gain. Some industry experts believe this $7.04 billion company is the best-of-breed producer of natural gas. Market analysts covering the stock recommend a buy rating. They forecast the price to potentially soar 68% to $40 in the next 12 months.

The energy stock could be your horse in 2021. Canada's largest natural gas producer actively drilled 100 wells in the second half of 2020 and planned to drill 225 wells this year. Tourmaline's goal is to increase revenues significantly.

Tourmaline's $618.3 million after-tax earnings in the full-year 2020 show it can generate profits amid the massive industry headwinds. The $273.9 million in free cash flow was likewise impressive. Management expects a materially stronger Q1 2021 due to strong natural gas prices and Tourmaline's long-evolving market diversification strategy. If you purchase today, this high-quality energy stock pays a 2.78% dividend.

Surge is coming

The apparel business was severely affected by the global pandemic, although it remains a staple. **Gildan Activewear**

(TSX:GIL)(NYSE:GIL) is well positioned for a comeback following the 29.8% decline in net sales in 2020 versus 2019. Still, management is confident that its "Back to Basics" strategy will strengthen financial and operating flexibility.

The world's largest vertically integrated manufacturer of apparel will resume investment activities in 2021, with capital expenditures expected to be around 4% of sales. Meanwhile, the priority is to position the external net debt leverage ratio within its historical target range. The target is one to two times net debt to adjusted trailing twelve months EBITDA.

Gildan derives more than 90% of its total revenues from products in its own factories. Vertical integration provides unparalleled control and visibility across the full value chain. Large-scale, low-cost manufacturing remains its core strength. The stock's surge should come in the recovery phase.

Expansion across the border

Mullen Group (TSX:MTL) has yet to realize its full potential, although the stock performs quite well year to date (+11.74%). The $1.18 billion trucking and logistics services provider wants to expand but could not utilize its $250 million in cash last year to make acquisitions.

According to Murray Mullen, Mullen Group's chairman and CEO, it's critical to pursue expansion in the U.S. management hasn't found a reasonably priced prospect in Canada that will deliver desired synergies. The growth potential is outside the country's borders.

Mullen's revenue and net income fell 8.9% and 11.4% last year versus 2019. However, you can't count out one of the leading suppliers of trucking and logistics services in Canada. Its diverse set of specialized services caters to industries such as energy, forestry, mining, and construction. Also, the stock pays a 3.94% dividend.

Harvest time

Value investors don't usually chase after short-term gains. With Tourmaline Oil, Gildan, and Mullen, the harvest will come when the businesses bear fruits in due course.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:GIL (Gildan Activewear Inc.)
2. TSX:GIL (Gildan Activewear Inc.)
3. TSX:MTL (Mullen Group Ltd.)
4. TSX:TOU (Tourmaline Oil Corp.)

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