2 Undervalued TSX Stocks to Buy in April 2021

Description

A year after the market crash, the **TSX Index** is hitting new highs. Many of the bargains are gone, but savvy investors can still find cheap stocks that could deliver huge gains in 2021 and beyond.

Why Pembina Pipeline looks undervalued today

Pembina Pipeline (TSX:PPL)(NYSE:PBA) trades near $36.50 per share compared to $53 just before the pandemic. Investors who buy the stock at the current level can pick up a solid 6.9% dividend yield.

Pembina Pipeline pays the distribution monthly. This makes the stock ideal for retirees and other income investors who use their TFSA to generate a regular stream of earnings from the investments.

The management team made quick decisions early in the pandemic to shore up the balance sheet and defer capital spending to preserve cash flow. Despite the challenging environment in the energy sector, Pembina Pipeline delivered decent 2020 results. Full-year 2020 adjusted EBITDA increase 7% compared to 2019. This helped Pembina Pipeline maintain the dividend hike it put in place right before the pandemic.

Looking ahead, the company intends to progress the $5.8 billion in secured capital projects it had lined up at the beginning of last year. In addition, Pembina Pipeline is evaluating $4 billion in potential new capital investments that would all be accretive.

Growth might also come from acquisitions. Pembina Pipeline is large enough to buy strategic assets that complement the existing portfolio. At the same time, Pembina Pipeline could become a takeover target for one of the larger industry players or even an global infrastructure fund.

The energy sector is on the mend, and Pembina Pipeline's stock price should drift higher over the next two years.

Teck Resources might still be undervalued

Teck Resources (TSX:TECK.B)(NYSE:TECK) bottomed out near $9 per share in March 2020. The stock then soared through most of last year and into the first part of 2021, topping $29 in February. Rising copper prices provided the largest part of the boost. Teck is a producer of copper, metallurgical coal, and zinc.

The stock pulled back a bit after the massive run and now trades near $25 per share. More gains should be on the way in the next couple of years as a wave of global stimulus drives investment in green technology and infrastructure projects. Copper is a key component in the manufacturing of solar panels, wind farms, and electric vehicles.

Metallurgical coal is used to make steel. The U.S. just announced a US$2 trillion infrastructure plan that includes building or replacing bridges, among other projects.

Teck's stock price normally follows the commodities cycles. Investors want to get in near the bottom and get out before the market becomes oversupplied. Volatility, like we saw in recent weeks, is to be expected. However, the trend should be to the upside for the next 12-24 months based on previous cycles.

It wouldn't be a surprise to see Teck Resources take a run at $50 before the next major downturn. If that turns out to be the case, the stock looks undervalued right now.

The bottom line

Pembina Pipeline and Teck Resources appear attractively priced in an otherwise expensive market. If you have some cash to put to work this month, these stocks deserve to be on your radar.

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aswalker