



3 Undervalued Canadian Stocks That Could Gain Up to 55%

Description

An undervalued company is one that is consistently profitable with attractive growth prospects in the long term. Further, its stock price is also trading at a cheap valuation compared to its peers. These stocks have the potential to create massive wealth for investors over time.

However, while evaluating and identifying undervalued stocks you need to understand that some stocks are cheap for a reason. It's quite possible that the growth prospects of these companies have diminished or they are losing market share.

Here we take a look at Canadian stocks that are undervalued and poised for a stellar comeback in 2021.

Barrick Gold

The first company on this list is mining giant **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD), a stock that is trading 35% below its 52-week high. While gold prices have been falling steadily over the last six months, investors were also concerned after Barrick's acquisition of copper heavyweight of **Freeport-McMoRan** failed to materialize.

Further, Warren Buffett's **Berkshire Hathaway** regulatory filing for the December quarter revealed that the investment company sold its entire stake in Barrick Gold in Q4. Berkshire had purchased over 20 million shares of Barrick Gold in Q2 of 2020.

Gold prices and interest rates have an inverse relationship. As bond yields have experienced an uptick in the last month, prices of the lustrous metal have expectedly lost their shine.

However, Barrick Gold continues to post solid numbers. In 2020 it generated US\$3.4 billion in free cash flow allowing it to increase its dividends.

Analysts tracking Barrick Gold stock have a 12-month average target price of US\$31 which is 50% above the current trading price.

Enbridge

Another Canadian-based large-cap company that is undervalued is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). As oil prices declined by a significant margin last year, Enbridge managed to generate a steady stream of cash flows despite the prevailing macroeconomic uncertainty.

ENB stock sports an attractive forward yield of over 7%. It has increased dividend payouts for 26 consecutive years including a 10% hike in 2020 and a 3% hike in 2021. Enbridge aims to maintain a distributable cash flow payout ratio of between 60% and 70% going forward, allowing it to increase payouts in the future as well.

Enbridge [increased its DCF](#) from \$4.57 in 2019 to \$4.67 in 2020 which was the midpoint of the company's guidance before the pandemic. The energy behemoth has displayed the resiliency of its business model making it a top buy for value and contrarian investors.

Analysts tracking ENB stock have a 12-month average target price of \$52 which is 12% above the current trading price. After accounting for its attractive dividend yield, annual returns will be closer to 20%.

Real Matters

The final stock on the list is **Real Matters** ([TSX:REAL](#)), a company that aims to lead the network management services market. Real Matters has estimated its total addressable market at US\$13 billion and given its sales of \$162 million in 2020, we can see the company has enough drivers to grow its top-line in the upcoming decade.

Real Matters has a blue-chip client base and this includes 60 of the top 100 mortgage lenders in the U.S. It has a client retention rate of 95% as it leverages technology to create a long-term competitive advantage.

Real Matters is focused on growing its market share in the residential mortgage appraisal space. It also wants to disrupt the title and closing market and pursue accretive acquisition opportunities.

Real Matters stock is trading 55% below its record high. Analysts tracking the stock have a 12-month average target price of \$22.4 which is 55% above the current trading price. Real Matters is an [undervalued growth stock](#) and Bay Street expects the company to increase sales by 22.3% to \$198 million in 2021 and by 19.3% to \$236.5 million in 2022.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:B (Barrick Mining)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:ABX (Barrick Mining)
4. TSX:ENB (Enbridge Inc.)
5. TSX:REAL (Real Matters Inc.)

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