3 Undervalued Canadian Stocks to Buy Under $40 in 2021

Description

Yesterday, the Dow Jones and S&P 500 indices touched new record highs. While investors remain concerned over rising valuations, you can also find hidden gems if you follow the equity markets closely. Investing in value stocks is a long-term play, where you can benefit from the power of compounding and derive exponential gains.

Here are three such Canadian stocks that you can buy with as little as $40.

Pembina Pipeline

The first stock on the list is **Pembina Pipeline** (TSX:PPL)(NYSE:PBA), an energy infrastructure company with a diverse base of cash-generating assets. It has a track record of profitable growth, and its proven business strategy is built upon robust financial and operating principles. It has a strong balance sheet with a prudent approach to capital allocation and an investment-grade credit rating.

Pembina stock has a forward yield of 6.9%. The company started paying dividends back in 1997 and has since distributed $9.5 billion in payouts in the last 24 years. Pembina managed to sustain its dividend payout, even amid the pandemic due to its resilient business model that protected its top line.

The company also managed to reduce operating costs and deliver an annual adjusted EBITDA of $3.3 billion, which was at 97% of its midpoint guidance. In Q4, Pembina reported an EBITDA of $886 million, which was 10% higher than the prior-year period.

Pembina stock is trading at $36 per share on my last look.

Great-West Lifeco

Another undervalued Canadian company with a tasty dividend yield is financial giant **Great-West Lifeco** (TSX:GWO). This large-cap stock is trading at a price of $33.57, indicating a forward yield of 5.22%.

The financial services holding company is well diversified and provides life and health insurance, retirement, investment, asset management, and reinsurance services. It is valued at a market cap of $31.5 billion, which suggests its forward price-to-sales multiple is just 0.5. Further, it has a price-to-earnings multiple of less than 10. Bay Street expects revenue to rise by 13.3% to $62.2 billion, while earnings are forecast to grow by 8.3%.

In the U.S., GWO completed several strategic acquisitions to expand and enhance its retirement and wealth management business, allowing it to grow its top line at a fast clip, at least in the near term.

AltaGas

The final company on the list is **AltaGas** (TSX:ALA), a diversified energy infrastructure company. It has two primary operating businesses that include Utilities and Midstream. The Utilities business owns and operates regulated natural gas distribution as well as two regulated natural gas storage facilities in the United States. This business provides interstate natural gas transportation and storage services.

The Midstream business engages in the gathering and processing of NGL (natural gas liquids). AltaGas also operates two natural gas-fired plants and energy storage assets in North America.

The stock has a forward yield of 4.9%. With a market cap of $5.9 billion, AltaGas stock is trading at a forward price-to-sales multiple of just 1.06 and a price-to-sales multiple of 14.

Comparatively, analysts expect earnings to rise at an annual rate of 11.5% in the next five years, making AltaGas an extremely attractive stock purely based on its valuation.

It has over $20 billion in assets and services close to two million customers in Canada and the United States. AltaGas stock is trading at $21 per share.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:GWO (Great-West Lifeco Inc.)
4. TSX:PPL (Pembina Pipeline Corporation)

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