3 TSX Stocks Hitting 52-Week Highs That Are Still Cheap Today!

Description

With the **S&P/TSX Composite Index** enjoying a very nice recovery in 2021, it's becoming harder and harder to find good value stocks to buy. Yet it is important to not just shoot for the bargain bin in these types of markets. Falling for a "value-trap" stock can significantly slow your capacity to build wealth over time.

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While I like cheap stocks, it is important to understand what fundamentals make them cheap. Is it because the market is somehow missing something in their story? Or is it because there is something fundamentally flawed in the business model?

Not all cheap TSX stocks are good stocks

For example, a stock like **Air Canada** (TSX:AC) is just not cheap enough at this point. So long as the pandemic is prevalent theme in Canada, this business consistently loses money. To compensate, the company must regularly add on debt and equity onto its balance sheet to make up for its cash burn.

Without a clear way out of the pandemic, there are just too many variables that make this business, and subsequent investment, very challenging. The stock is trading no too far off of 52-week highs. Even if it went up more, I would remain even more cautious.

A hardwoods distributor in the U.S.

Hardwoods Distribution (TSX:HDI) is a stock that has been hitting 52-week highs for weeks. However, I would have no qualms about buying it today. Most Canadians have probably never heard of this stock. Nonetheless, it is one of North America's largest distributors of architectural building products. New housing demand in Canada and the U.S. is supporting an absolute boom for architectural products.

In 2020, despite the COVID-19 pandemic, Hardwoods still grew sales, adjusted EBITDA, and profit per share by 6%, 24%, and 29%, respectively. 2021 is setting up to be much better, given the strong demand, pricing scenario for lumber and hardwood products. The stock only trades with a price-to-earnings multiple of 18 times. Given the quality of its platform and management team, this valuation should rise alongside earnings in 2021 — a good-looking set up.

A solid TSX dividend stock

Enbridge (TSX:ENB)(NYSE:ENB) is a stock trading just below its 52-week high. Of the higher-yielding stocks on the TSX, this is one that still looks attractive. The fact is, it is still yielding a 7.2% dividend, despite having a solid run up this year.

Now, there are risks. There are still legal and environmental challenges on completing its Line 3 replacement project. It also has to mediate a solution with Michigan's governor to keep its Line 5 Great Lakes pipeline portion operational.

However, overall, it is a very well-run company supported by stable, highly contracted cash flows. The company transports 70% of Canada's crude and 20% of North America's crude. It operates a crucial infrastructure piece in North America's economy. To me, it still looks like a good income stock to hold today.

A stock that will benefit from infrastructure spending

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IBI Group (TSX:IBG) is one last TSX stock that has demonstrated strong price momentum in 2021. It is still attractive today. IBI is a global engineering, design, architecture, and technology firm with operations around the world. It is not the biggest firm, but it has a really intriguing "intelligent cities" technological platform that differentiates it. It's three core focuses are buildings, infrastructure, and intelligence.

Given the massive expected spend on infrastructure and smarter, more efficient cities, IBI is set to be major beneficiary. The Biden Infrastructure Plan would certainly bolster that thesis. The company is consistently increasing adjusted EBITDA margins, improving its backlog and lowering debt. While it is hitting 52-week highs, the runway for this TSX stock still remains clear and strong.

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