Don't Sleep on These 3 Undervalued TSX Stocks!

Description

Don't let the "frothy" stock market fool you; there are still plenty of undervalued TSX stocks out there, especially on this side of the border. I think we're in a stock pickers' market right now. With the great reopening likely in the cards, I think those who find the right balance for their portfolios will find it's too easy to put the broader markets to absolute shame!

Remember, just because the stock market is at an all-time high doesn't mean it's on the verge of a crash or correction. Pick your spots carefully, and you can find results in almost any type of market environment.

In this piece, we'll look at four great bargain TSX stocks that are thing are strong buys right now. Let's get right into them:

Undervalued TSX stock #1: Badger Daylighting

Badger Daylighting (TSX:BAD) is fresh off a 7% pullback, and with the type of market environment that's up ahead, I think the industrial is taking a breather before its next big leg up.

For those unfamiliar with the name, it's the company behind those unmistakable hydrovac-equipped trucks with the adorable badger logo. The firm's fleet of hydrovac-equipped trucks can bring its non-destructive soil excavation services to wherever they're needed. It's not a sexy business by any means but a necessary one, especially on the cusp of a potential infrastructure spending boom.

Based on traditional valuation metrics, Badger isn't the cheapest stock here, but given the tailwinds that lie ahead, I think it's a mistake to take a raincheck on the mid-cap play that could be capable of big gains over the next three years. So, if you think Canadian industrials are in a position to outperform, this BAD stock is a great pick.

Undervalued TSX stock #2: Cargojet

Cargojet (TSX:CJT) is a Canadian success story that's not about to end anytime soon. Shares of the cargo airline are fresh off a 33% plunge. In a prior piece, I'd warned investors that the stock was overvalued and ripe for a vicious pullback in 2021.

"Cargojet had an incredible 2020, surging a staggering 225% from its March trough to its November peak. Shares are a tad on the expensive side and look overdue for a steep pullback to around $150," I wrote back in January. "While e-commerce tailwinds have given the stock a boost, investors should be concerned over what's to come once Canadians curb their e-commerce spending and head back to the shopping mall."

Now that the stock has bounced off the high-$150 to low-$160 level, I'm ready to change my tune on Cargojet. A discretionary spending boom is on the horizon, and I suspect the stock will be right back to new highs, as demand for overnight shipping continues to surge.

Undervalued TSX stock #3: Alimentation Couche-Tard

Last but certainly not least, we have **Couche-Tard** (TSX:ATD.B) — a name that's seen its fuel sales suppressed throughout the pandemic. The firm's failed pursuit of French grocery giant Carrefour didn't help the stock either, as investors immediately threw in the towel when management broke the news that it's on the hunt for a grocer.

To this day, Couche is still in the penalty box over its M&A pivot. I think a grocery deal ought to make investors even more bullish, as gaining immediate access to a grocery behemoth's supply chain would have been just what the doctor ordered. Couche's Fresh Food Fast program has been a success, and I see tremendous long-term opportunity in a grocery deal. With more than enough cash and credit to pull the trigger on a grocer, I suspect the stock could explode higher once management clears the haze by shedding more light on its long-term goals, perhaps with ambitious forward-looking guidance.

The stock looks the most undervalued I've seen it in a while. If you've got a long-term horizon, I think you need to stash the stock in your TFSA and forget about it for years at a time.

Foolish takeaway

There are bargains galore on the TSX. The three names I presented in this piece are all compelling, but if I had to pick one, I'd have to go with Couche-Tard. It's a misunderstood earnings grower with major catalysts. In due time, I suspect people will appreciate the business for what it's really worth.

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