



5 Undervalued TSX Stocks I'd Buy Now With \$5,000

Description

While the stock market remains highly volatile, I see an opportunity in several fundamentally strong TSX-listed stocks to buy them at a lower valuation. Besides trading cheap, these stocks offer good growth opportunities and are likely to deliver solid returns in the long term. Here are five undervalued stocks you could consider buying right now with \$5,000.

Scotiabank

Scotiabank ([TSX:BNS](#))([NYSE:BNS](#)) stock witnessed a fair amount of buying in the recent past and is up about 41% in six months. Despite the decent growth, Scotiabank stock is still trading significantly lower than its peer group average. Notably, Scotiabank's price-to-book value (P/B) multiple of 1.4 is well below **Toronto-Dominion Bank's** and **Royal Bank of Canada's** P/B multiples of 1.7 and 2, respectively.

While Scotiabank's valuation is attractive, the expected growth in its loans and deposit volumes and exposure to the high-growth banking markets further strengthen my bullish outlook. Moreover, the reduction in credit provisions and expense management are likely to cushion Scotiabank's bottom line and drive its future [dividend payments](#).

Cineplex

Cineplex ([TSX:CGX](#)) stock has regained a significant portion of its lost ground and is up about 178% in six months. However, Cineplex stock is still trading at a considerable discount of over 60% from its pre-pandemic levels, providing long-term investors an excellent opportunity to buy and hold its stock for stellar gains.

I believe the reopening of its entertainment venues and theatres could significantly boost its financial numbers and, in turn, lift its stock price. I expect the company to deliver a sharp improvement in its revenues and profitability in the post-pandemic world.

Loblaw

Food and pharmacy giant **Loblaw** ([TSX:L](#)) has consistently delivered solid comparable sales and impressed with its financial performance. While consumer demand is likely to normalize in 2021, I expect Loblaw to continue delivering strong sales and increasing its market share on the back of the strong momentum in its e-commerce business. Its connected healthcare offering, expansion of the front-store services, home delivery and pickup services, and rewards program bode well for future growth.

Further, Loblaw stock is attractive on the valuation front. Its next 12-month (NTM) price-to-earnings (P/E) multiple of 15 is lower than **Metro's** and **Alimentation Couche-Tard's** P/E multiples of 16.7 and 17.1, respectively. With high volatility in the market, good growth opportunities, and low valuation, Loblaw should find a place in your portfolio.

Absolute Software

Absolute Software ([TSX:ABST](#))([NASDAQ:ABST](#)) stock is trading cheap compared to peers. Shares of Absolute Software are trading at a forward EV/sales multiple of 4.3, much lower than the peer group average of 6.3.

While its valuation is still within reach, the secular industry trends and sustained demand for its security software further strengthen my bullish case. Absolute Software generates solid annual recurring revenues and maintains a solid debt-free balance sheet. The company continues to acquire new customers and faces lower direct competitive activity.

Suncor Energy

The uptick in economic activities and the vaccine distribution led to a fair amount of buying in **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) stock, which is up about 56% in six months. Despite the run-up, I see [further upside](#) in its stock, as it trades well below the pre-pandemic levels, while the outlook for energy remains bright.

Higher volumes and pricing, Suncor's integrated energy assets, strong balance sheet, improved mix, and a lower cost base are likely to give a significant boost to its stock. Meanwhile, the company could continue to reward its shareholders through share buybacks and regular dividends.

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2. Coronavirus
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TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:ABST (Absolute Software)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:CGX (Cineplex Inc.)
6. TSX:L (Loblaw Companies Limited)
7. TSX:SU (Suncor Energy Inc.)

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