



## 4 Value Stocks That Could Deliver Superior Returns in 2021

### Description

With Canadian equity markets trading close to their all-time highs, investors could turn their focus to value stocks amid rising concerns over high valuations. Value stocks are the ones that are fundamentally strong and offer healthy growth prospects but are trading at a significantly lower valuation. Here are four such companies that can outperform the broader equity markets this year.

### Suncor Energy

With the improvement in economic activities and the expectation of economic expansion, oil prices have rebounded strongly and are trading above pre-pandemic levels. Higher oil prices could benefit oil-producing companies, such as **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). However, the company is still trading 38.5% lower than its January 2020 levels. Its valuation also looks attractive, with its price-to-book and forward price-to-sales multiples standing at 1.1 and 1.2, respectively.

Apart from rising oil prices, the improvement in operating metrics could also boost the company's financials. The management expects its production and refinery's utilization rate to improve this year, while its operating expenses could fall. Given its long-life, low-decline assets, the company could break, even when WTI crude trading at around \$35 per barrel. With oil prices expected to remain at higher levels for the rest of this year, I believe Suncor Energy to deliver strong performance this year, boosting its stock price.

### goeasy

**goeasy** ([TSX:GSY](#)) has delivered impressive returns over the last five years at a CAGR of 38.5%. It has also continued its uptrend, with its stock price trading 54.7% higher for this year. Despite the stock price growth, its forward price-to-earnings multiple stands at an attractive 15.8.

With the ongoing vaccination drive, the economic activities could improve, boosting the demand for goeasy's services. Further, the company [is also working on acquiring LendCare Holdings for \\$320 million](#) in a cash and stock deal. The acquisition could boost goeasy's growth by expanding its product

range and point-of-sale distribution platform. The company has also raised over \$170 million through new equity offerings to finance the acquisition, which could be completed in the second quarter of this year. So, given its robust growth prospects and attractive valuation, [I believe the uptrend in goeasy's stock price to continue](#).

## Real Matters

My third pick would be **Real Matters** ([TSX:REAL](#)), which trades around 50% lower from its 52-week high. Amid the pullback in its stock price, the company trades at an attractive forward price-to-sales and forward price-to-earnings multiples of two and 21.3, respectively. Given its attractive valuation, management's upbeat outlook, and a low-interest environment, I believe the company could outperform the broader equity markets this year.

Meanwhile, Real Matters enjoys a solid blue-chip customer base, with 60 of the top 100 top lenders in the United States being its clients. Its customer retention rate stands at around 95%, which is encouraging. Further, its proprietary platform and network capabilities provide a significant competitive advantage over traditional service providers.

## Algonquin Power & Utilities

My final pick would be **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)). The deep freeze in the central U.S. had restricted the power production in some of its facilities. The company's management has estimated that the unfavourable event could lower its 2021 adjusted EBITDA by \$45-\$55 million, which weighed on its stock price. The company currently trades over 11% lower from its February highs. Its price-to-book and forward price-to-earnings multiples stand at 1.9 and 22.6, respectively.

Further, the company's management has planned to invest around \$9.4 billion over the next five years, expanding its regulated utility asset base and power production capabilities. Supported by these investments, the company's management expects its adjusted EPS to grow at a rate of 8-10% during this period. Given its healthy growth prospects and cheaper valuation, I am bullish on Algonquin Power & Utilities.

### CATEGORY

1. Energy Stocks
2. Investing
3. Tech Stocks

### TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:GSY (goeasy Ltd.)
5. TSX:REAL (Real Matters Inc.)
6. TSX:SU (Suncor Energy Inc.)

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