



TSX Stocks: 3 Bargain Plays That Offer Decent Return Prospects

Description

Although TSX stocks at large exhibit premium valuations amid their all-time highs, many Canadian names are still trading below their fair values. They could soon catch up and deliver decent returns to investors. Here are three undervalued TSX stocks for long-term investors.

The North West Company

The North West Company ([TSX:NWC](#)) is a \$1.7 billion Canadian retailer that sells food and everyday products to underserved communities and neighbourhood markets. It mainly operates in northern Canada, western Canada, rural Alaska, and the Caribbean.

North West particularly caters to niche markets and derives a major chunk of its revenues from essentials. The company has managed a slow but consistent revenue growth in the last five years. North West reported a compounded annual net income growth of 6% in this period.

Particularly, North West makes relatively lower profit margins, possibly due to its low-profile locations, compared to its bigger peers.

North West pays [consistent dividends](#) and yields 4% at the moment. It has returned almost 50% in the last 12 months, beating the **TSX Composite Index**. Despite the recent strong performance, the stock is undervalued and could keep rising in short to medium term. It could be a great defensive pick for long-term investors, given its stable earnings and reliable dividends.

AltaGas

A diversified energy infrastructure company **AltaGas** ([TSX:ALA](#)) is my second pick. It pays stable dividends and offers decent capital gain prospects. It is currently trading at a dividend yield of 4.7%, higher than TSX stocks at large.

AltaGas operates through three segments: midstream, utilities, and power. A major chunk of its

earnings comes from rate-regulated, fixed-fee operations, which facilitates earnings visibility.

As natural gas is comparatively cheaper than oil and cleaner compared to coal, more and more power generators are shifting to gas. Natural gas demand is expected to continue to increase in the next years, resulting in superior top-line growth for companies like AltaGas.

AltaGas stock has soared 45% in the last 12 months. The stock is still trading at a [discounted valuation](#) and indicates a handsome upside potential.

Wheaton Precious Metals

Gold stocks have suffered enough in the last eight to 10 months, and it could be a good time for investors to enter now. One stock that I particularly find attractive at current levels is **Wheaton Precious Metals** ([TSX:WPM](#))([NYSE:WPM](#)).

Wheaton is not a legacy gold miner but a streamer. Streamers outsource mining operations and thus offer a better risk/reward proposition against the customary mining companies. This avoids big capital investments and results in higher profit margins. Wheaton currently has streaming agreements with 23 operating mines and eight development stage projects.

Wheaton's net income soared from US\$86 million in 2019 to US\$508 million last year. Higher production and higher realized yellow metal prices drove such a steep increase.

Wheaton makes almost 65% of its revenues from gold, while the rest comes from silver. If you are looking for a diversified precious metals play, streamer Wheaton could be one of the interesting names.

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TICKERS GLOBAL

1. NYSE:WPM (Wheaton Precious Metals Corp.)
2. TSX:ALA (AltaGas Ltd.)
3. TSX:NWC (The North West Company Inc.)
4. TSX:WPM (Wheaton Precious Metals Corp.)

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