3 Cheap TSX Stocks to Buy Now

Description

The stock market may be a tad on the frothy side, but that doesn't mean there aren't any cheap TSX stocks to buy. For stock pickers who can steer clear of the overvalued names in favour of the unloved, beaten-down value stocks, I think there's a chance to generate meaningful alpha.

In this piece, we'll have a brief look at three discounted Canadian stocks that I think could outperform for the rest of 2021.

Cheap TSX stock #1: Alimentation Couche-Tard

Alimentation Couche-Tard (TSX:ATD.B) started 2021 with a nasty 17% plunge, thanks in part to management's failed pursuit of French grocery retailer Carrefour. I loved the deal, but investors hated it. It was a shocker. Couche-Tard, a convenience retailer, wants in on the low-margin grocery scene, and nobody on the Street knew why. Analysts were also confused, and many of them still are.

If you're like me and understand that Couche needs to buy a grocery supply chain to solidify its positioning in the future of retail, then you should be backing up the truck on shares while they're still over 11% off their highs. If anybody can integrate a big-scale grocer, it's the managers at Couche-Tard.

Maybe if Couche-Tard were an e-commerce retailer like **Amazon.com**, the deal would have been met with a round of applause. Who knows? I think those who sold Couche-Tard on the dip made a huge mistake, as the company looks to be following in Amazon's footsteps, as it goes on the hunt for its own version of Whole Foods.

With the cheap TSX stock trading at just 13.7 times earnings, I think it's time to back up the truck before the herd warms up to Couche's surprising strategic pivot into the grocery arena.

Cheap TSX stock #2: NFI Group

NFI Group (TSX:NFI) endured a brutal fall from grace over the last three years, tumbling from its $60 peak in 2018 to just $13 and change in 2020, a disgusting 78% decline. The firm, formerly known as New Flyer Industries, is a maker of buses and motorcoaches. Amid the COVID-19 pandemic, the last thing most people want to do is to take transit and run the risk of catching the insidious coronavirus. As more vaccine jabs are given in arms, commuting will increase again and spend on new transit infrastructure could surge again.

Over the past few years, orders have flopped in a big way. In the post-COVID environment, the tides are likely to turn. Moreover, NFI Group makes an energy-efficient means of transportation, which could be a huge boon for NFI, as localities look to reduce their carbon footprint.

NFI is a stealthy EV play in my books, and it's a cheap TSX stock at 0.7 times sales and 2.3 times book.

Cheap TSX stock #3: North West Company

North West Company (TSX:NWC) is a retailer that serves underserved communities, primarily in northwest Canada and Alaska. It's a pretty boring retailer that many folks living in the inner city have never heard of. Yet the retailer boasts one of the widest moats in brick-and-mortar retail. Few e-commerce retailers want to venture out as far as the remote locations served by North West. It's North West's turf, and the return on investment probably wouldn't be too attractive for those looking to compete for market share.

With a wide moat and a recession- and coronavirus-resilient business, the cheap TSX stock should be seen as a defensive core to any long-term portfolio. At 12.6 times earnings, 0.7 times sales, and 3.5 times book, shares of the retailer are also dirt cheap. And the 4.2%-yielding dividend is a cherry on top of an already pretty attractive sundae.

Foolish takeaway

The following three Canadian stocks may be boring, but what they lack in excitement, they more than make up for in value. If I had to choose one stock on this list, it'd have to be Couche-Tard. It's the most misunderstood stock on this list, and I think it has the widest margin of safety.

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