2 UNDERVALUED TSX Stocks That Could Be a Value Trap

Description

TSX stocks look well positioned amid the economic recovery and upbeat corporate earnings growth. However, not all stocks will continue to grow post-pandemic. Even if they appear undervalued, some of the top-rallying names will likely feel more pressure in the near term and could witness a notable drop.

Cineplex

The movie theatre chain operator **Cineplex** (TSX:CGX) stock is up almost 150% in the last six months. Vaccinations and re-opening hopes encouraged investors this year. However, things will not be that easy for Cineplex.

Cineplex's balance sheet became awfully weak in the last few quarters amid the closures. At the end of the fourth quarter, the company had $16 million in cash. Investors should note that Cineplex burned $74 million during the fourth quarter. What's more concerning is its liquidity position will probably further deteriorate in the first half of 2021. It might have to look for additional avenues to raise cash to survive longer.

CGX stock has fallen almost 25% since March. Although it might appear relatively undervalued, the stock could be a highly risky bet. Cineplex will release its Q1 2021 earnings in early May. How management sees things ahead and how the cash position fared after Q1 will be crucial to see.

Facedrive

Small Canadian ride-hailer **Facedrive** (TSXV:FD) stock has been quite a money multiplier for shareholders recently. It surged from $1.8 early last year to $60 per share in February 2021. That's a massive 3,200% return in just over a year. However, Facedrive stock has come down significantly in the last few months and is currently trading at $17. So, is it an opportune time to enter?

Probably not! The rally in Facedrive was mainly a sentiment-driven movement and was hardly backed by fundamentals. The carbon-neutral Canadian ride-hailer reported over $1 million in revenues last year. It is a loss-making company at the moment, and its revenue growth also is not encouraging.

Facedrive has expanded in many verticals in the last few months. However, that did not stop the stock from falling. The company has lost more than 70% of market capitalization since February 2021. I would stay away from this stock and would wait for consistent, reliable top-line growth.

So, where should long-term investors put their money? TSX stocks are at all-time highs, and I think investors should not chase high-growth, aggressive stocks at the moment. It would be prudent to play safe and expect decent growth.

Toronto-Dominion Bank

Investors can consider stable, dividend-paying, top TSX stock **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). Its prudent provisioning last year played out well. It will most likely use the loan-loss reserves this year for growth or reward shareholders in terms of higher dividends. Also, TD Bank's large presence south of the border should see notable growth post-pandemic.

TD is one of the best dividends stocks in Canada and yields 3.8% at the moment. It has soared more than 50% in the last 12 months, beating the **TSX Composite Index**. Betting on stable stocks like TD would rake in reliable dividends and offer decent gain prospects amid the economic recovery.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing
5. Personal Finance
6. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:CGX (Cineplex Inc.)
3. TSX:TD (The Toronto-Dominion Bank)
4. TSXV:STER (Facedrive Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Investing
5. Personal Finance
6. Stocks for Beginners

Date
2025/08/15
Date Created
2021/04/23
Author
vinitkularni20