2 Undervalued Stocks to Buy Right Now

Description

Undervalued stocks are stocks that are trading at a lower valuation than the overall market. The S&P/TSX currently trades at a P/E ratio close to 30. That's quite expensive. **Manulife Financial** (TSX:MFC)(NYSE:MFC) and **MTY Food Group** (TSX:MTY) stocks look attractively valued in an expensive equity market. These are two great stocks to buy right now for long-term gains.

Manulife Financial

Manulife Financial is a Toronto-based company providing insurance and financial services in Canada and around the world. The stock is up about 20% since the start of the year.

The company released its latest batch of 2020 results on February 10. Overall, its performance has been strong in the face of the devastating COVID-19 pandemic. In the fourth quarter, net income increased from $0.6 billion to $1.8 billion year over year. Meanwhile, net income reached $5.9 billion for the full year — an increase of $0.3 billion from 2019. Manulife benefited from a dynamic market, as it achieved global wealth management inflows of $8.9 billion.

Manulife is a very inexpensive company compared to its banking peers. Shares of this dividend-paying stock have an attractive forward P/E ratio of 7.8. Plus, Manulife stock has a five-year PEG (price-to-earnings-to-growth) ratio of only 0.5, meaning shares are undervalued relative to their future potential growth.

The company offers a quarterly distribution of $0.28 per share. This represents a solid yield of 4.2%.

Like all financial stocks, expectations of rising inflation and improving confidence in bond yields are very bullish for Manulife.

As the economy continues to recover, it will likely continue to fuel growth in Manulife stock. Since insurers are a necessity, long-term holders will see massive growth as interest rates continue to rise.

Manulife's growth outlook in Asia remains strong, and its core business is one that today has a number of strong catalysts.

For all the reasons above, Manulife is one of the best stocks to buy right now.

MTY Food Group

MTY Food Group is a Montreal-based company that operates fast food and casual dining restaurants under more than 80 banners like Thai Express, Extreme Pita, and Tutti Frutti. Restaurants are located in Canada, the United States, and elsewhere. MTY Food shares are flat year to date.

In Q1 2021, MTY's profit fell $19 million from the first quarter of 2020. The company has been hit hard by the sharp drop in sales in shopping malls and office towers due to COVID-19 closures.

System sales at MTY Food Group fell 48% in Canada. However, system sales fell only 4% in the United States.

MTY Food stock is quite cheap. Shares of the quick-service restaurants franchisor have an attractive forward P/E ratio of 16.8. Plus, MTY stock has a five-year PEG ratio of 0.9, meaning shares are undervalued relative to their future potential growth.

MTY has suspended its quarterly dividend. Around 2,100 restaurants have temporarily closed while the rest are operating at reduced capacity due to the COVID-19 pandemic. Most of its corporate restaurants are closed, with the exception of those operating under the Papa Murphy brand.

Malls will fill up again and food court staples will be back in the spotlight. For now, you can get a modest discount on the name. But since Canada could face another big wave that could suppress the quarters to come, don't invest in this stock more than what you can afford.

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3. TSX:MTY (MTY Food Group)

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