4 Undervalued TSX Stocks to Buy for May 2021

Description

Despite the strong recovery rally over the past year, a few **TSX**-listed stocks are trading at an attractive valuation multiple and are offering good value at the current price levels. Besides trading cheaper than peers, these stocks remain well-positioned to benefit from the recovery in demand and steady economic expansion.

If you plan to invest in stocks offering value and growth, consider buying the shares of these top Canadian companies.

Scotiabank

Scotiabank (TSX:BNS)(NYSE:BNS) is expected to gain big from the economic expansion and recovery in consumer demand. Its exposure to the high-quality and high-growth banking markets position its well to drive its loans and deposit volumes amid improving operating environment. Further, expense management and a steady decline in credit provisions are likely to boost its earnings significantly and drive future dividends.

Scotiabank's P/BV (price to book value) ratio is also significantly lower than its peers. The bank is trading at a P/BV multiple of 1.4, reflecting a discount of about 20% compared to the peer group average. Scotiabank is also a Dividend Aristocrat and is offering a healthy yield of 4.6%.

Capital Power

Shares of the power producer, **Capital Power** (TSX:CPX), are trading significantly cheaper than its peers and are offering high yield at current price levels. Notably, its next 12-month EV/EBITDA ratio of 8.4 is nearly 30% than its peer group average. Also, its P/E (price-to-earnings) multiple is well below its peers.

While its stock offers excellent value, it operates a low-risk business backed by highly contracted assets. Thanks to its growing and predictable cash flows, Capital Power uninterruptedly increased its dividends by a CAGR of 7% over the past seven years. Further, it projects a 7% hike in its dividends for 2021. Moreover, its dividends are expected to increase by 5% in 2022. Currently, it offers a high yield of 5.3%.

Loblaw

Loblaw (TSX:L) operates a low-risk and defensive business and has consistently delivered stellar financial and operating performance. Further, Loblaw stock has steadily appreciated over the past several years, while it has regularly paid dividends and offers a decent yield of 2.0%.

I believe the momentum in its e-commerce business, connected healthcare offering, and strengthening of its delivery and pickup services are likely to accelerate its growth rate. Meanwhile, its next 12-month P/E multiple of 14.6 is well below the peer group average. Its growing comparable sales, growth opportunities in the e-commerce business, low valuation, resilient earnings, and cash flows make it a top stock amid heightened volatility.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) stock witnessed strong buying in the recent past and increased about 45% in six months. Further, it registered strong growth this year and has outperformed the broader markets. Despite the recent increase in its stock, Pembina's valuation is lower than peers. It trades at the next 12-month EV/EBITDA multiple of 10.6, which is lower than its historical average of 11.7. Furthermore, it's also lower than peers.

Pembina is also known for its robust dividend payments and is offering a high yield of 6.6%. Meanwhile, economic expansion, improvement in volumes and higher pricing, and secured projects are likely to drive its revenues and earnings. Meanwhile, its diversified and highly contracted assets could continue to drive its fee-based cash flows and support higher dividends.

CATEGORY

1. Bank Stocks
2. Coronavirus
3. Dividend Stocks
4. Energy Stocks

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:CPX (Capital Power Corporation)
5. TSX:L (Loblaw Companies Limited)
6. TSX:PPL (Pembina Pipeline Corporation)

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