These 3 Undervalued Stocks Will Report Their Earnings This Week: Should You Buy?

Description

Amid improvement in factory activities and increasing commodity prices, the Canadian equity markets continue to rise, with the **S&P/TSX Composite Index** up 10.2% for this year. However, investors are shifting their focus towards value stocks amid the expectation of reopening the economy. Meanwhile, these three undervalued stocks will report their quarterly earnings later this week. So, let's assess whether buying opportunities exist in any of these three stocks.

Cineplex

Amid the pandemic-infused lockdown, **Cineplex** (TSX:CGX) had a tough last year, with its revenue falling 88.2% and a net loss of $230.4 million against a net profit of $3.5 million 2019. The company's high cash burn and rising debt levels weighed heavily on its stock price, which is trading over 62% lower than its January 2020 levels. Amid the decline in its stock price, its forward price-to-sales multiple has fallen to an attractive level of one.

Meanwhile, Cineplex will post its first-quarter performance before the market opens on May 6. With continued restrictions, I am not much hopeful of its first-quarter performance. However, its long-term growth prospects look healthy. The expansion of the vaccination could allow the governments to lift some of the restrictions soon. Meanwhile, Cineplex has taken several cost-cutting initiatives while strengthening its balance sheet. So, given the significant discount on its stock price, I believe Cineplex is an excellent buy for investors with over two years of the investment horizon. Analysts favour a "hold" rating for Cineplex.

Air Canada

The pandemic has severely dented the passenger airline industry, including **Air Canada** (TSX:AC), which is down 47.4% from its January 2020 levels. Last year, the company incurred net losses of $4.65 billion while burning $4.67 billion of net cash at a rate of $13 million per day. Its debt levels rose by over 75%. Meanwhile, the company will report its first-quarter performance before the market opens on May 7. With continued travel restrictions and lowered operating capacity, I expect a significant decline in Air Canada’s first-quarter numbers.

However, Air Canada’s long-term growth potential looks healthy. It recently received $5.9 billion from the government, strengthening its balance sheet. Further, the company has taken several costing-cutting measures, such as slashing its workforce, lowering its operating capacity significantly, and retired several old aircraft, which could reduce its losses and cash burn in the near term.

Further, the expansion of vaccination could prompt governments to lift certain harsh restrictions, such as 14-day compulsory quarantine for international travelers, boosting passenger demand. The company is also looking at expanding its cargo vertical amid rising demand for its services. Given its significant market share, I believe Air Canada could bounce back more strongly and quickly than its peers, delivering superior returns over the next two years. Analysts are also bullish on the stock, with 12 of the 19 analysts covering the stock have issued a “buy” rating. Analysts’ consensus price target stands at $29.18, representing a return potential of 14.4% over the next 12 months.

Enbridge

Third on this list would be **Enbridge** (TSX:ENB)(NYSE:ENB). The decline in oil demand amid the pandemic-infused lockdown had weighed on its financials and stock price. Its revenue and adjusted EPS had declined by 21.9% and 8.7% in 2020, respectively. Meanwhile, the company currently trades close to 8% lower from its January 2020 levels. Its valuation also looks attractive, with its price-to-book and forward price-to-sales multiples standing at 1.8 and 2.3, respectively.

Meanwhile, Enbridge will report its first-quarter performance before the market opens on Friday. With the rebound in the energy sector underway, I expect a sequential improvement in Enbridge’s first-quarter performance. Meanwhile, the company could deliver strong second-half performance amid the reopening of the economy and economic expansion. It has also planned to put into service around $10 billion worth of secured growth projects this year, which could boost its financials. It also pays quarterly dividends, with its forward yield standing at a juicy 7%. So, Enbridge would be an excellent buy right now.

Analysts are bullish on Enbridge, with 23 of the 27 analysts have given a “buy” rating. Analysts’ consensus price target stands at $51.90, representing a 12-month return potential of 9%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)

2. TSX:AC (Air Canada)
3. TSX:CGX (Cineplex Inc.)
4. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/08/28
Date Created
2021/05/04
Author
rnanjapla