3 Cheap TSX Stocks to Buy Right Now

Description

Despite the massive recovery rally in TSX stocks, a few companies are still trading cheaper and are offering good growth opportunities. I believe the pickup in consumer demand, steady economic expansion, and recovery in corporate earnings provide a solid underpinning for growth in these value bets.

I have chosen three such companies that are trading at an attractive discount and could deliver superior returns in the coming years.

Air Canada

Air Canada (TSX:AC) stock has witnessed a recovery in the past six months. However, it is still well below (approximately 50%) the pre-COVID levels. I see this as an excellent opportunity to buy its stock and benefit from the revival in demand. Notably, Air Canada could continue to face challenges in the near term on account of travel restrictions and uneven rollout of the vaccine. However, it is likely to deliver stellar returns in the medium- to long-term period.

I believe subdued international travel demand could continue to weigh on its financials in the near future and offset the benefits from the rebound in the domestic market. However, its capacity and revenues are likely to show sharp sequential improvement. Furthermore, its net cash burn is expected to decline, while its operating losses are likely to decrease sharply.

The wide availability of the vaccine, easing travel measures, and reopening of the international borders are likely to significantly boost Air Canada's financials and its stock price. Furthermore, the continued momentum in its cargo business and lower cost base augur well for future growth.

Bank of Montreal

Bank of Montreal (TSX:BMO)(NYSE:BMO) continues to deliver strong financial and operating performances, thanks to which its stock has appreciated by about 82% in one year. Despite the strong buying in its stock, it still trades cheaper than its peers and looks attractive long-term bet.

I believe the economic expansion, ongoing vaccination, and strong consumer demand are likely to drive its loans and deposit volumes. Furthermore, a significant decline in credit provisions and operating leverage are likely to boost its earnings and, in turn, its dividends and stock.

Bank of Montreal's price-to-book value (P/BV) multiple of 1.5 is lower than peers. Further, its next 12-month price-to-earnings multiple of 11.5 is well below its peers. Besides trading cheaper, Bank of Montreal also pays robust dividends and offers a decent yield of 3.6%. Thanks to its high-quality earnings base and improving fundamentals, Bank of Montreal could continue to bolster its shareholders' returns.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is another value bet that is expected to gain big from the increased economic activities, recovery in energy demand, and ongoing vaccination. The crude oil prices have nicely settled around $60 and could continue to trend higher, providing a solid base for future growth.

I believe higher crude prices and increased volumes are likely to boost Suncor's financials. Moreover, its integrated assets, lower cost base, continued reduction in debt bode well for stellar growth in the coming years.

Suncor stock has recovered some of its lost value on hopes of recovery in energy demand. However, it still trades at an attractive discount compared to the pre-COVID levels. Further, it is likely to boost its shareholders' returns through regular quarterly dividend payments and share buybacks.

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