



3 Top Undervalued Canadian Stocks to Buy Right Now

Description

Although the Canadian benchmark index, the **S&P/TSX Composite Index**, is trading close to its all-time high, few Canadian stocks are trading at a significant discount from their pre-pandemic levels, making them [undervalued stocks](#). Amid economic expansion, recovery in consumer demand, and improvement in corporate earnings, I believe these three cheap Canadian stocks can deliver superior returns over the next two to three years.

Suncor Energy

First on my list would be **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)), which is trading 32.7% lower from its January 2020 levels. Its valuation also looks attractive, with its forward price-to-earnings multiple standing at 12.7. Meanwhile, the company had delivered an impressive [first-quarter performance](#) last week.

Its operating earnings improved from \$421 million to \$746 million amid increased production, higher realization price, and lower depreciation, depletion and amortization, and exploration expenses. Further, the company's funds from operations increased from \$1 billion to \$2.11 billion. These strong cash flows helped the company strengthen its balance sheet and lower its debt levels by \$1.1 billion.

Meanwhile, the improvement in economic activities amid the gradual reopening of the economies worldwide could drive oil demand and prices higher, benefiting oil-producing companies, such as Suncor Energy. The company also expects its production and refinery utilization rate to improve this year. Higher oil prices and improvement in operating metrics could drive the company's financials and stock price higher. [So, I am bullish on Suncor Energy](#).

Air Canada

Second on my list would be **Air Canada** ([TSX:AC](#)), which had reported its first-quarter performance on Friday. Its revenue had declined by 80% year over year to \$729 million amid a decline in passenger demand due to the pandemic-infused travel restrictions. It also incurred operating losses of \$1.05

billion while burning \$1.27 billion of cash at a rate of \$14 million per day.

Meanwhile, Air Canada's cargo division continues to deliver strong performance, with its revenue rising 89% year over year. The company is also looking at expanding its cargo-only operations by adding two Boeing 767 aircraft by the end of this year to operate on international cargo routes. The company also looks to double its ASM (available seat miles) capacity in the second quarter on a year-over-year basis. Further, its financial position looks healthy, with its liquidity standing at \$6.6 billion, which excluded \$5.9 billion in financial support from the Canadian government.

The widespread vaccination could prompt governments to lift travel restrictions, driving domestic and international passenger demand. Given the scale of the company and its financial strength, I believe Air Canada could bounce back strongly and quickly compared to its peers.

Enbridge

My final pick would be **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), which still trades 7% lower from its January 2020 levels. Its valuation also looks attractive, with its forward price-to-earnings multiple standing at 17.5. Despite the pandemic, the company posted an adjusted EPS of \$0.81 in its recently published first quarter, representing a marginal decline of 2.4% year over year. It also generated \$2.6 billion of cash from its operating activities, strengthening its balance sheet.

Amid the widening of vaccination, governments worldwide are gradually reopening their economies, which has increased the oil demand. Higher oil demand would increase Enbridge's asset utilization rate, boosting its financials. Further, the company is progressing with its \$17 billion secured capital projects, with around \$10 billion worth of projects that could be put into service this year. These investments and economic expansion could boost Enbridge's financials and stock price. It also pays quarterly dividends, with a juicy yield of 6.95%.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:AC (Air Canada)
4. TSX:ENB (Enbridge Inc.)
5. TSX:SU (Suncor Energy Inc.)

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