3 Dirt-Cheap Canadian Value Stocks

Description

It's a tough time to be a value investor. Following a year of red-hot stock market gains, value has become difficult to find. In March 2020, stocks crashed, providing some of the cheapest valuations in years. However, markets recovered quickly, pushing multiples higher. Tech stocks recovered the fastest, but this year we've seen serious bullishness in traditional, COVID-damaged industries as well.

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As a result, most stocks are pretty expensive now, by historical standards. Yet value is still out there if you know where to look. Among financials, energy and even utilities, there is value to be found. In this article I'll explore three **TSX** value stocks that are dirt cheap at today's prices.

Suncor Energy

Suncor Energy Inc (TSX:SU)(NYSE:SU) is a Canadian energy stock that, for much of 2020, was trading for less than the net value of its assets. Since then, its stock has rallied, but it's still cheap relative to book value, with a 1.19 price/book multiple. It is *not* cheap relative to earnings. In fact, its earnings for the trailing 12-month period were negative. But that's not the best way to look at it. Suncor took a lot of non-cash charges in 2020, which sent GAAP earnings lower.

In the first quarter, strong oil prices led to a massive surge in earnings. Net income came in at $821 million, a vast improvement over the $3.5 billion loss a year before. So there's reason to think that, in addition to being cheap compared to book value, Suncor is also cheap compared to forward earnings.

Algonquin Power & Utilities

Algonquin Power & Utilities Corp (TSX:AQN)(NYSE:AQN) is a Canadian utility company that operates mainly in the United States. It has delivered a market-beating return over the past decade, rising 239% to the TSX's 66%. Partially that's just a matter of scale. AQN is much smaller than the average utility, giving it more room to grow through acquisitions and investments. But it may also be due to the company's niche. AQN focuses heavily on renewable energy sources like wind and solar, which are seen as well positioned to thrive in a green-energy future. So AQN is a fast growing company that's well positioned for the future. Yet its stock is still cheap, trailing at just 11.5 times trailing earnings.

TD Bank

The Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is Canada's second-largest bank, outperforming the average TSX bank over the last decade, thanks to its vast and growing U.S. retail business. TD recently closed the sale of TD Ameritrade to **Charles Schwab,** which made TD the largest shareholder in the world's largest brokerage. Since the Charles Schwab deal closed, TD booked two quarters of solid earnings, in which Schwab was a big contributor.

The deal itself contributed $2.5 billion in earnings in Q4, then the position in Schwab stock contributed $209 million in earnings in Q1. Overall, it was a successful M&A deal that worked out well for both TD and Schwab. Yet TD stock remains cheap, trading at just 13 times earnings–at a time when other **TSX** banks are seeing their multiples expand rapidly.

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2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:TD (The Toronto-Dominion Bank)
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