3 Cheap TSX Stocks I'd Buy Right Now

Description

Despite the glorious start to the year, there are many cheap **TSX** stocks I'd look to buy right now. Let's have a closer look at three of the cheaper plays for value investors seeking to get the most bang for their buck. Each name currently trades below my estimate of its intrinsic value, with many names boasting traditional valuation metrics on the lower end of the historical range.

Without further ado, consider **IA Financial** (TSX:IAG), **Suncor Energy** (TSX:SU)(NYSE:SU), and **Hydro One** (TSX:H), three out-of-favour value stocks that may very well be too cheap to ignore at today's valuations.

IA Financial

IA Financial is probably one of the more underrated Canadian financials out there. The (life and health) insurance and wealth management service provider tends to be obscured by its bigger brothers in the insurance scene because of its smaller market cap (currently just north of $7.5 billion) and its comparatively small dividend yield (2.76% at the time of writing).

Insurance can be pretty cyclical, and the prudent managers at IA are not one to stretch their dividend payout to appease income investors. IA would rather stick with its conservative approach, which has worked out quite well over the years. Although the growth prospects may not be as appealing versus the likes of Manulife, I find IA's depressed valuation and well-covered payout as primary reasons to prefer it over its more handsome peers in the space.

The stock trades at 9.0 times next year's expected earnings, which is a low price to pay for what you'll get.

Suncor Energy

Amid surging oil prices, you'd think **Suncor Energy** (TSX:SU)(NYSE:SU) stock would be closing in on its early 2020 pre-pandemic high. However, that's just not the case, with the stock currently down over

38% from its January 2020 high. The fresh-cut dividend now yields a mere 3%, which leaves a lot to be desired. In any case, Suncor's operational performance continues to be decent despite the dire circumstances. The company recently came off some pretty solid first-quarter earnings that saw refinery utilization of 92% and debt payments of $1.1 billion.

As debt levels fall, the firm will have that much more financial flexibility to repurchase shares and potentially hike its dividend at a high double-digit rate on the back of higher oil prices. With the stock trading just north of book value, I think share buybacks are the smart way to go. Shares still look dirt cheap here, and if West Texas Intermediate (WTI) makes a move to US$100, it could be off to the races for Warren Buffett's favourite name to play Alberta's oil patch.

Hydro One

Hydro One (TSX:H) is a great defensive dividend stock that ought to be at the core of any portfolio. It's the ultimate way to combat volatility, as the low-beta name is more likely to zig when the broader markets zag and vice versa.

With meagre growth prospects, Hydro One is not a stock you'd want to own if you're planning on profiting profoundly from the economic expansion. As a bond proxy or cash-like stock holding, though, Hydro One is tough to match, with its highly regulated operating cash flows backing its incredibly secure 3.5% dividend.

At 10 times earnings and 2.5 times sales, Hydro One is a dirt-cheap way to smooth out the choppy market waters as we're propelled deeper into the unknown.

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2. TSX:H (Hydro One Limited)
3. TSX:IAG (iA Financial Corporation Inc.)
4. TSX:SU (Suncor Energy Inc.)

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