Canadian Investors: Here Are 3 of the Most Undervalued Stocks on the TSX

Description

Canadian investors have a lot of options going into the summer. While the TSX Index has been trending higher, only when you look under the hood do you discover the numerous undervalued stocks that are already in a correction or, in the case of many tech stocks, a bear market.

So, if you're a stock picker, you don't need to settle for average with index funds. Instead, check out the following three undervalued TSX stocks that I believe could outperform the TSX over the next two to three years.

IA Financial

IA Financial (TSX:IAG) is one of the more underappreciated Canadian insurers out there. The undervalued stock doesn't have the high-growth Asian exposure that some of its higher-yielding peers have in the insurance scene, but what it does have is an incredible management team who's all about growing without bearing excessive amounts of risk. Insurance can be fickle, and IA is careful not to overextend itself when times are good. The stock sports a modest 2.8% dividend yield alongside a valuation that's too good to ignore, even after its incredible past-year rally.

Shares trade at 9.1 times next year's expected earnings, 1.23 times book value, and 0.48 times sales, all of which are a low price to pay for the high-quality insurance and wealth management exposure you'll get from the name. IA is an underdog that's absurdly undervalued, even if you believe the markets are expensive.

Scotiabank

As Canada's most international bank, **Scotiabank** (TSX:BNS)(NYSE:BNS) found itself in a tough spot last year. The stock has been slowly climbing higher over the past year, but, unlike many of its peers, it has still yet to make a new all-time high. The stock is down about 7% from its high, but as emergingand domestic markets recover in tandem, BNS stock could be in a spot to break out to heights notseen since late 2017.

Scotiabank may not be the cheapest Big Five bank at nearly 15 times earnings. But if you're like many Canadians who lack higher-growth international exposure, BNS stock may be the perfect stock to add to your portfolio before the macro backdrop has a chance to improve drastically. The banks could be at the beginning of a multi-year bull run on the back of higher rates. With a 4.6% yield, which is on the higher end in the bank space, I wouldn't at all hesitate to recommend the undervalued stock here.

It's cheap relative to its growth prospects. And the stock could have a long ways to go before hitting its peak.

ONEX

ONEX (TSX:ONEX) is an investment company that few Canadian investors have ever heard of. It's best known for acquiring WestJet Airlines a few years back before the pandemic struck. With a proven track record of crushing the TSX Index over time, I think investors have a lot to gain by scooping up shares while they're still down due to the COVID-19 crisis.

With a reopening underway, ONEX stock could find itself reaching new all-time highs. While the stock isn't the same steal as it was when I'd pounded the table last year, investors can still grab the undervalued stock at a nearly 15% discount to book value.

ONEX recently came off an impressive earnings beat, making the name a timely buy at near $90 per share.

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3. TSX:IAG (iA Financial Corporation Inc.)
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