



## 3 Undervalued Canadian Stocks to Buy Right Now

### Description

Improving corporate earnings, expansionary monetary policies, and optimism over the reopening of economies have driven the Canadian equity markets higher, with the **S&P/TSX Composite Index** rising 15.7%. However, even in this expensive market, there are few undervalued stocks that provide excellent buying opportunities. So, let's look at three such companies that could outperform the broader equity markets over the next two years.

### Canadian Natural Resources

After witnessing a steep fall last year, oil prices have bounced back to trade above US\$70/barrel. Growing oil demand amid the gradual reopening of economies and supply constraints have pushed oil prices higher, benefiting oil-producing companies, such as **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)), which has returned 45.9% this year. Despite the steep rise, the company's valuation looks attractive. Its forward price-to-earnings and price-to-book multiples stand at 11.5 and 1.6, respectively.

Oil prices could remain elevated in the near to medium term. Meanwhile, *B of A Global Research projects* oil prices could even rise to US\$100/barrel next year amid tighter oil supply and growing demand. The company has planned to invest \$3.2 billion this year, increasing its production by 5% from its 2020 levels. So, higher realization price and increased production could drive the company's financials and stock price higher.

Further, Canadian Natural Resources has also been rewarding its shareholders by raising its dividend consistently for 21 previous years. Currently, it pays a quarterly dividend of \$0.47 per share, with its forward yield standing at 4.21%. So, I believe [Canadian Natural Resources would be an excellent buy right now](#).

### Air Canada

Amid the widespread vaccination and falling COVID-19 cases, **Air Canada** ([TSX:AC](#)) is witnessing a

substantial buying this year, with its stock price increasing by 17.6%. However, despite the increase, the company still trades significantly lower than its pre-pandemic levels. Further, the company's valuation also looks attractive, with its forward price-to-sales multiple standing at one.

The ongoing vaccination drive could prompt the Canadian government to ease some of the harsh travel restrictions, boosting passenger demand. Further, Canadian citizens are sitting on huge capital, which they had saved for an emergency. With the economy bouncing back strongly, I expect these saving could go towards travel and leisure, benefiting Air Canada.

Air Canada's cargo vertical has continued to deliver strong performance. Further, the company has planned to expand its operations to international routes by adding two of its retired passenger aircraft this year. The company's financial position also looks strong with the aid of \$5.9 billion from the Canadian government. So, Air Canada is well equipped to ride out this crisis and deliver superior returns over the medium term.

## Cineplex

**Cineplex** ([TSX:CGX](#)) is another stock that has witnessed a substantial buying this year, with its stock price rising over 70%. However, the company is still trading over 50% lower than its January 2020 levels. Also, its forward price-to-sales multiple stands at an attractive 0.9. Meanwhile, Cineplex has strengthened its financial position by raising funds through various debt facilities and selling and leasing back its headquarter. It has taken several cost-cutting initiatives, such as slashing the workforce and reductions in rent payments through renegotiations. So, the company is well funded to ride out this crisis.

Further, the easing of restrictions and reopening of entertainment avenues could improve theater attendance. The pent-up demand and the postponement of movie releases from last year to this year could boost the company's financials in the coming quarters. So, given its attractive valuation and improving economic activities, I expect Cineplex to deliver higher returns over the next two years.

### CATEGORY

1. Energy Stocks
2. Investing

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1. Editor's Choice

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2. TSX:AC (Air Canada)
3. TSX:CGX (Cineplex Inc.)
4. TSX:CNQ (Canadian Natural Resources Limited)

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