



2 Best Value Stocks to Buy in Canada Now

Description

Value investing is alive in 2021, although it would take extra sleuthing to spot the best value buys when the market is on an upswing. More than a dozen companies, some [industry leaders](#), still trade at a discount relative to their intrinsic or actual values.

Cogeco Communications ([TSX:CCA](#)) and **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) fit into the category. Both dividend stocks should be excellent additions to value-seeking investors. Buy them now to earn two ways, capital gain, and [rock-steady](#) dividends.

Expanding constantly

Cogeco will present its Q3 fiscal 2021 results on July 14, 2021. I expect impressive figures given the sustained demand for the company's residential high-speed Internet products. While profits dipped slightly by 3% in Q2 fiscal 2021 (quarter ended February 28, 2021) versus Q2 fiscal 2020, free cash flow increased 14.2% to \$142.8 million.

Cogeco President and CEO Philippe Jetté expressed delight with the company's overall performance. He cites the continued growth in revenue and adjusted EBITDA. The \$5.38 billion communications company, through Cogeco Connexion, boasts strong cable operations and stable growth in Canada. It has one of the highest operating margins in the industry.

The company operates Atlantic Broadband in the U.S., where its cable expansion strategy delivers robust organic growth. Cogeco is present in regional markets where competition is fragmented. The main selling points for this value stock are attractive margins, strong free cash flow, and dividend growth.

Cogeco's share price is \$114 (+18% year to date) if you invest today. Market analysts see a potential upside of as high as 23% to \$140. Furthermore, the stock's 2.25% dividend should be the icing on the cake.

Deep value stock

Suncor Energy is among the top performers thus far this year, following a horrendous 2020. The \$44.55 billion oil sands king is slowly but surely regaining lost ground. At \$30.31 per share, investors are up 44% year-to-date. The dividend yield is 2.77%. Market analysts are bullish and forecast the price to climb 39% to \$42 in the next 12 months.

This deep-value stock is likely to outperform the broader market in 2021. Management successfully preserved Suncor's financial health during the COVID year. The company's liquidity increased significantly due to the 33% and 12% reduction in capital expenditures and operating costs.

In the quarter ended March 31, 2021 (Q1), the \$2.1 billion funds from operations far exceed Suncor's capital expenditures and dividend commitments. Remarkably, management reported \$821 million in net earnings versus the \$3.52 billion net loss in Q1 2020.

The combined Q1 2021 and Q4 2020 synthetic crude oil (SCO) production represents the best sequential performance in Suncor's history. Financial health and resiliency remain management's key focus for the rest of 2021. Note, too, that Suncor's extensive logistics assets and sales channels add more value to the company.

During the first quarter, Suncor's acquisition of carbon capture company Svante affirms the resolve to reduce greenhouse gas emissions in its base business. The company will produce blue hydrogen as an energy product at the same time.

Canada's biggest pension funds increased their investments in Suncor and three other oilsands players to help them transition toward producing cleaner energy.

Akin to growth stocks

Cogeco Communications and Suncor Energy deserve to be in a value investor's portfolio. Both dividend stocks have long-term potential akin to growth stocks. Buy them now while they sell for less than their true worth.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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1. NYSE:SU (Suncor Energy Inc.)
2. TSX:CCA (COGECO CABLE INC)
3. TSX:SU (Suncor Energy Inc.)

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Date

2025/08/16

Date Created

2021/07/02

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