2 Screaming Bargains on the TSX

Description

It's hard to believe that there are any screaming bargains to be had on the **TSX Index** these days after such an unbelievably strong first half of 2021. As I've mentioned in prior pieces, the energy and financial baskets have been main contributors to the first half of outperformance, while many other wonderful stocks have stood pat. Come the second half, I think there will be a passing of the baton, with less-loved dogs that could rise to the top.

Consider **ONEX** (TSX:ONEX) and **CAE** (TSX:CAE)(NYSE:CAE), two mid-cap companies that look way too cheap, given the catalysts that are just around the corner. Both companies stand to benefit from a sustained reopening from the coronavirus-plagued environment.

Dirt-cheap reopening stocks that have yet to fully correct to the upside

While both stocks are up considerably off their 2020 lows, both names are down considerably from their highs. Going into year-end, I'd be unsurprised if both names broke out to new highs in a bull-case scenario that sees global COVID-19 cases and death rates decline drastically into year's end.

ONEX and CAE could fall under mounting pressure if COVID-19 takes a turn for the worst, though. So, do understand the near- to intermediate-term downside risks. That said, unlike many other more aggressive reopening plays out there that are hemorrhaging cash with questionable balance sheets, ONEX and CAE are well equipped to deal with a horrific scenario that sees variants pull ahead in the race against vaccines.

TSX screaming bargain #1: ONEX

I've been a huge fan of ONEX stock over the past year. I've been pounding the table on the unloved company, as shares traded at a huge discount to their book value. Today, shares are up an impressive 25% year to date and 50% over the past year. That's an incredible run. But I'm not yet ready to curb my enthusiasm with the name, even though the previously wide discount to book has shrunk considerably.

Today, shares of the top-tier private investment manager trade at less than a 10% discount to book value. That's still a discount to book, and with COVID-19 pressures likely to continue fading over the next 18 months, I'd argue that ONEX stock ought to be trading at a nice premium to its book value.

Many ONEX-owned businesses (especially WestJet Airlines!) are due to make up for lost time as COVID-19 wanes. Moreover, I think it's also a mistake to pass up on an opportunity to pay less than book for a management team with such a solid long-term track record. Yes, they hit a bump in the road last year, but they're making a comeback, which I don't think is over yet.

TSX screaming bargain #2: CAE

CAE is a flight simulator firm that's a play on the re-training of commercial airline pilots. More planes will take to the air again in the imminent air travel recovery, starting with domestic flying and then, in due time, international travel. With a decent balance sheet, a growing defence business, and reopening tailwinds, CAE strikes me as a way to profit from the post-pandemic recovery in the airlines without having to bet on the airlines themselves.

A lot of airlines are bleeding cash and will require government support if this pandemic worsens before it winds down and ends. While CAE still has downside risks, I don't think the stock will fall nearly as hard as the likes of an **Air Canada** should restrictions and lockdowns strike again.

At 3.4 times book and 3.6 times sales, CAE stock is a bargain, given the calibre of business you're getting and the looming tailwinds poised to lift the airline space once again.

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