3 Bargain Stocks to Buy on the TSX Today

Description

In most things, bargains and discounts are difficult to miss. If your local store is starting a sale, you'll have no trouble finding the best bargains. If an e-commerce marketplace is offering a seasonal discount, you will get notifications weeks ahead of the actual sale.

But when it comes to investment assets like stocks, you have to invest time and effort to *find* bargain stocks. And more than just an attractive valuation or price discount, you have to consider the future growth potential or the sustainability of the dividends when it comes to bargain stocks. That's because a dud would still be a dud, even if you buy it at a 50% discount.

A holding company

Fairfax Financial Holdings (TSX:FFH) is currently trading at a brutally discounted valuation. The company is trading at a price-to-earnings ratio of 4.2 and a price-to-book ratio of just 0.8, despite the fact that it grew its stock price by 38% in the last 12 months, which is quite impressive considering the company's stock movements in the last five years.

The price is still at a 10% discount from its pre-pandemic valuation, which pairs nicely with its undervaluation. And if you consider the recent spikes in its revenues (for the last three quarters), the company seems poised for another growth phase, which might last longer than its post-pandemic growth momentum did. It also pays dividends, and the yield is a modest 1.7%.

An investment management company

If you are looking for a stock that's discounted, despite its recovery to pre-pandemic levels, then **ONEX** (TSX:ONEX) might be a good fit. The company is still trading at a 2.7% premium to its pre-pandemic valuation and has grown 36% in the last five years. However, the stock has remained attractively undervalued with a price-to-earnings ratio of 3.9 and price-to-book ratio of 0.8 times.

The company recently realized gains from one of its investments, **Ryan Specialty Group**, a U.S.-

based insurance company, which recently had an IPO. ONEX sold part of its stake for about US$490 million, though it still retains a 5% stake in the company. This is just one of the ways ONEX makes money, and as more of its investments turn out profitable, the more financially stable and rewarding ONEX stock might become.

An energy company

Whitecap Resources (TSX:WCP) is at the very beginning of the energy supply chain — i.e., extraction. However, it has rebranded itself as a "clean energy company" and claims to store more carbon dioxide than it emits. Thanks to the stability of the energy sector in the last few months, the company has grown its production capacity by almost 61% from 2020.

Compared to the other two stocks on this list, Whitecap is just moderately undervalued. The price-to-earnings ratio is 6.8, and the price-to-book ratio is 1.5 times. And even though the stock is trading 5.7% higher than its pre-pandemic value, the 3.8% yield is still quite attractive.

Foolish takeaway

Buying undervalued stocks *just because* they are undervalued is not a sound investment strategy. Your goal should be to find great stocks with powerful (and sustainable yields) or decent growth potential for a bargain price. If you can't find any such stocks, it might be better to invest in fairly or even slightly overvalued stocks that offer reliable growth potential than undervalued stocks that offer none.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)
2. TSX:ONEX (Onex Corporation)
3. TSX:WCP (Whitecap Resources Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. adamothman
2. kduncombe

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/09/12
Date Created
2021/08/20
Author
adamothman