2 TSX Stocks That Seem Beyond Undervalued

Description

Now seems to be a decent time to start doing some buying of your favourite TSX stocks that recently became much cheaper. In this piece, we'll check out two picks that I think are beyond undervalued. While they may not be the timeliest here, I think the risk/reward tradeoff makes them among the most attractive contrarian bets as we head into a turbulent September 2021.

Canada Goose Holdings: A TSX retail stock that's beyond undervalued

Canada Goose (TSX:GOOS)(NYSE:GOOS) stock fell off a cliff on the back of some decent quarterly results that investors clearly didn't think was good enough. To make matters worse, the company announced its decision to steer away from third-party resellers with the hopes of moving business to its higher-margin sales channels.

Undoubtedly, direct-to-consumer (DTC) has resulted in huge gains for the best of brands in the world of retail. By cutting out the middleman, margins could have ample room to expand. Still, there are risks associated with doing such. But if any firm is going to excel at doubling down on DTC, it's Canada Goose and its incredible management team. I've said it before, and I'll say it again, Dani Reiss is an incredible manager, and it's a terrible idea to bet against the man, as he continues to bring Canada Goose to the next level.

Yes, there are risks, but I'm willing to give Reiss and his team the benefit of the doubt. Moreover, given the quarterly flop was overblown, I think there's some incredible value to be had in the high-growth retailer, which has one of the best omnichannel presences out there. Fresh off a 21% pullback, the Goose is worth picking up, even as discretionary spending takes a breather. Although demand for luxury parkas could wane over the medium term, I still think the strong economy will pave the way for some pretty solid numbers over the next two years.

For the magnitude of growth you're getting, I find the valuation to be quite modest. The 82.2 times trailing earnings multiple doesn't do the Goose any justice, given the promising fundamentals and a macro backdrop that still looks attractive, even after sluggish U.S. retail numbers.

NFI Group: Way too cheap

NFI Group (TSX:NFI) is another cyclical company that could pay off big time if you catch it at the right point in a market cycle. After slogging for years on the back of weak coach orders, NFI is finally in a spot to come roaring back. It's not just demand for big-ticket purchases that could fuel order surges for the Canadian bus maker; it's the pressure to make moves to cut emissions drastically amid today's climate crisis.

I've previously referred to NFI as a stealth EV (electric vehicle) play. Its electric bus line could experience strong demand over the next three years, as municipalities look to update their fleets, all while public transit recovers on the other side of the pandemic. The tides are turning, the bottom looks to be in, and the stock still seems too cheap for its own good here.

The $2.2 billion bus maker also looks to have a reverse head-and-shoulder pattern in the works. If successful, I'd look for NFI to make a run for new highs.

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