



2 Incredibly Undervalued Canadian Stocks to Buy Right Now

Description

[Searching for value](#) in today's stock market isn't an easy exercise. Indeed, valuations have taken off in recent months. Investors looking at various high-growth names may simply balk at the valuations they'd be forced to pay. However, there do happen to be a few undervalued Canadian stocks to consider in this environment.

Among my top picks in this regard are **Alimentation Couche-Tard** (TSX:ATD.B) and **Manulife** ([TSX:MFC](#))([NYSE:MFC](#)). These companies are ones I see as tremendously undervalued relative to their long-term earnings prospects.

Let's dive more into why each of these stocks makes for an excellent long-term portfolio holding.

Top undervalued Canadian stocks: Alimentation Couche-Tard

Of all the undervalued Canadian stocks out there, Couche-Tard continues to be on the top of my list. Indeed, this major global player in the gas station and convenience store space has shown impressive long-term growth. The company estimates it can double its earnings per share over the next five years. That's a feat reserved for some of the best growth stocks in the market right now.

However, Couche-Tard stock trades at a valuation multiple of under [17 times earnings](#) currently. This company's growth outlook has seemingly been reduced by investors for two key reasons.

The first is related to lower expected demand in the long term. Investors appear to be pricing in a slower recovery from this pandemic than initially thought. Driving volumes are starting to return to normal; however, many employers are still not requiring employees to commute to the office. This has hurt gasoline demand — a key driver of Couche-Tard's bottom line.

Secondly, Couche-Tard's growth model is based on a foundation of M&A-generated growth. This is a growth-by-acquisition play and is viewed as such by the market. However, Couche-Tard has not successfully completed a major acquisition in some time. Accordingly, some investors are factoring in slower growth in the years to come.

However, I view both factors weighing on Couche-Tard's share price as short term in nature. Over the medium to long term, I expect the company to get back on track on both counts. Accordingly, this company remains a top undervalued Canadian stock for long-term investors today.

Manulife

In the insurance space, Manulife has grown to be one of the biggest players in Canada and around the world. The company's operations in Asia have been impressive. Accordingly, Manulife's growth rate has been above par when compared to its peers.

That said, Manulife currently trades at a rather incredibly low valuation multiple. Indeed, a price-to-earnings ratio of around seven times certainly puts Manulife in the discussion for one of the most undervalued Canadian stocks out there.

This valuation is rational in the sense that investors continue to price interest rate-related headwinds into this stock. Until bond yields rise meaningfully, Manulife is likely to remain in the undervalued Canadian stocks category.

However, I think an economic recovery, and a return to normal in the bond market, will signal a strong reversal for insurance stocks. Manulife is among the most attractively valued stocks in this sector. Accordingly, I view the potential recovery with this stock as among the best in the sector.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:ATD (Alimentation Couche-Tard Inc.)
3. TSX:MFC (Manulife Financial Corporation)

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