



Undervalued Stocks: 3 Top Canadian Picks

Description

Investing in the current market environment can be a little complicated. As markets continue to set new all-time highs, there are certainly growth stocks you can add to your portfolio. But for most investors, finding top Canadian stocks that are trading undervalued is much more difficult.

In addition, we have the uncertainty of a fourth wave that continues to see case counts rise. So, even if you do find a stock that's [trading undervalued](#), you have to make sure that the risk is worth the reward.

With that in mind, here are three of the top Canadian stocks trading undervalued today.

A top Canadian retail stock

While many companies in retail have struggled, one stock that's been able to withstand the pandemic a lot better is **Roots** ([TSX:ROOT](#)).

Much of the reason behind Roots's resiliency through the pandemic is its highly popular brand and impressive customer loyalty. Roots is one of the most iconic retailers in Canada, so its products will always be in demand.

The stock has been cheap for a while now due to the pandemic and some profitability issues that plagued the company before the pandemic. However, that's creating an excellent opportunity for investors, which is why it's one of the top Canadian stocks to buy now.

While its products are always popular, Roots's operations weren't always as efficient as they could have been. However, the company addressed this by opening a new distribution centre that will serve both its retail and e-commerce segments.

Today, the company is in a much better position to grow its profitability, especially once the pandemic is in the rearview.

So, if you're looking for a top Canadian stock that you can buy for dirt cheap, Roots is trading at a

forward [price-to-earnings \(P/E\)](#) ratio of just 8.6 times.

A value stock that likely won't stay cheap for long

In addition to Roots, another top Canadian stock that's been cheap for far too long is **Corus Entertainment** ([TSX:CJR.B](#)).

However, Corus has started to rally again in the last month, up nearly 10% since August 4. Despite the increase in momentum lately, the stock is still extremely cheap.

Currently, Corus has a forward P/E ratio of just 7.2 times, even cheaper than Roots. And in the current environment, its business is being impacted far less.

So, while the stock continues to trade cheap, it's easily one of the top stocks to buy in Canada. Plus, besides the incredible discount you can get, Corus also pays a dividend that currently yields 3.9%.

In the last few years, it's drastically improved its business operations as well as its financial position. So, if you're looking to buy a top Canadian stock, Corus is a great pick in this market environment.

A top energy stock for dividend investors

Lastly, another high-quality stock that you can still buy undervalued is **Freehold Royalties** ([TSX:FRU](#)).

While Freehold may not be as cheap as it was when [I recommended it](#) to investors, at the start of last week, it's still one of the best energy stocks you can own and a top stock to buy now.

The energy industry has recovered well, and Freehold has consistently been increasing its dividend as its revenue has been growing.

Freehold can generate some impressive free cash flow, because it receives royalties on the energy produced on its land rather than producing the energy itself. Plus, the stock has a squeaky-clean balance sheet, offering little risk for investors.

And in addition to being a low-risk stock in the energy industry, it's also one of the top Canadian stocks to buy now due to its fantastic dividend yield.

Freehold yields more than 6.25% at current prices, showing what an incredible deal investors can get buying the stock today.

CATEGORY

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TICKERS GLOBAL

1. TSX:CJR.B (Corus Entertainment Inc.)
2. TSX:FRU (Freehold Royalties Ltd.)
3. TSX:ROOT (Roots Corporation)

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Author

danieldacosta

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