



3 Cheap TSX Stocks to Buy in September 2021

Description

The stock market has persistently marched on and grinded higher after the spectacular recovery from the pandemic market crash low. A group of stocks have been elevated from higher inflation, which isn't expected to last. Many stocks appear to be fully valued with little upside and margin of safety. So, tread carefully, especially for new capital you're injecting into the stock market. If you're looking to invest in stocks today, check out these cheap TSX stocks.

Suncor stock

Suncor ([TSX:SU](#))([NYSE:SU](#)) is a diversified, integrated energy company. Other than producing oil and gas, Suncor also has refinery operations and a +1,500 network of Petro-Canada retail and wholesale locations across Canada. In addition, it operates some retail sites under the **Shell** and **Phillips 66** brands in Colorado.

Suncor is one large-cap stock that felt the wrath of the pandemic, but it is on the path of recovery. Its trailing 12-month (TTM) revenue was almost \$30.9 billion, 19% below the normalized 2019 levels. Its TTM operating income was \$1.7 billion, which was 24% lower versus 2019. Its TTM free cash flow (FCF) was \$2.4 billion — 50% lower. This resulted in a TTM payout ratio that was 52% of FCF. Consequently, the dividend cut of about 55% in May 2020 made sense for the company to maintain a healthier dividend (after the cut) in a new pandemic environment.

Accordingly, [Suncor stock](#) is depressed by about 40% from pre-pandemic levels of approximately \$40 per share. A normalized environment should drive a rebound in the stock. Let's say the stock only recovers partially to \$35 per share, it would still be an incredible near-term upside of 49% from \$23.47 per share at writing. Furthermore, it also provides a nice yield of almost 3.6% that adds to total returns.

Barrick Gold is another cheap TSX stock

Barrick Gold ([TSX:ABX](#))([NYSE:GOLD](#)) stock hasn't participated in the market rally at all in the last year. In fact, the gold stock has greatly underperformed, which makes it one of the cheapest TSX

stocks you can consider today.

Interestingly, its TTM revenue and operating income have improved versus 2019 — up 30% and doubled, respectively. Its TTM payout ratio was only 20% of FCF. So, it appears the market is not bullish on future gold prices.

It only makes sense to buy Barrick Gold today if you're bullish on gold prices. If things work out, the gold stock can appreciate about 40% over the next 12 months. The stock's 1.8% yield also helps add to returns.

A tech stock

Converge Technology Solutions ([TSX:CTS](#)) looks anything but cheap. *Yahoo Finance* indicates it trades at a TTM price-to-earnings ratio of 278! However, it's a cheap TSX stock on a forward basis. Otherwise, the stock can't persistently push higher. Since recovering from the pandemic market crash by mid-2020, the growth stock has pretty much been on a tear!

Projecting a few years down the road, the [growth stock](#) could at least triple from the current levels of \$12 and change per share. However, it does require the company to continue executing well on its M&A growth strategy.

Since October 2017, Converge has completed 23 acquisitions and been awesome with its cross selling, as it expanded its IT solution offerings. It just began its European expansion. And we shall see if it will be as successful as its North American expansion, which is still ongoing.

Institutional investors have been enthusiastic with its recent bought deal financing that raised gross proceeds of \$259 million with the over-allotment option fully exercised at \$10.55 per share. The market has high expectations on the tech stock, as the stock is already 16% higher today.

The Foolish investor takeaway

All three TSX stocks appear to be cheap today. Since Suncor and Barrick Gold stocks are highly dependent on the underlying commodity prices, investors should aim to buy low and sell high. In contrast, Converge's profitability should be more stable through business cycles. So, the tech stock can be a buy-and-hold candidate for growth.

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