



Top 3 Undervalued TSX Stocks to Buy Right Now!

Description

The S&P/TSX Composite Index remains strong and has trended higher on the back of a steep recovery in corporate earnings amid economic reopening and high consumer demand. Understandably, most of the stocks listed on the TSX are trading higher (near to their 52-week highs). Despite the rally, few fundamentally strong stocks still look attractive on the valuation front, indicating further upside.

So, if you're looking to buy stocks offering good value at the current levels, consider adding **Scotiabank** ([TSX:BNS](#))([NYSE:BNS](#)), **Suncor** ([TSX:SU](#))([NYSE:SU](#)), and **Capital Power** ([TSX:CPX](#)) to your portfolio now.

Scotiabank

Scotiabank stock appreciated about 53% in one year. Meanwhile, a steady economic growth, improving credit demand, and lower provisions suggest that the uptrend will likely sustain. Also, its strong credit quality, exposure to high-growth banking markets, acceleration in digital banking, and an expected increase in interest rates strengthen my bullish view.

I expect Scotiabank to continue to report high-quality earnings on the back of its diversified revenue streams, higher deposit volumes, and focus on driving down operating costs. The bank's ability to drive solid earnings growth indicates that it could continue to boost investors' returns through higher dividend payments. Currently, Scotiabank offers a dividend yield of about 4.6%, which is reliable.

While Scotiabank's fundamentals remain strong, it is trading at a considerable discount compared to peers, making it an excellent buy for long-term investors. Scotiabank trades at a P/B (price-to-book value) multiple of 1.4 — much lower than **Bank of Montreal**, **Toronto-Dominion Bank**, and **Royal Bank of Canada's** P/B multiples of 1.6, 1.7, and 2.1, respectively.

Capital Power

Investors could consider buying Capital Power stock at current levels. Capital Power stock has risen over 57% in one year and is trading near all-time high levels. Despite the rally, Capital Power trades at

an EV/EBITDA (NTM) multiple of 8.3, which is significantly lower than its peer group average. In comparison, shares of **TransAlta Renewables**, **Fortis**, **Canadian Utilities**, and **Algonquin Power & Utilities** trade at EV/EBITDA multiples of 11.5, 13.0, 13.2, and 14.5, respectively.

I expect Capital Power to [outpace the benchmark index](#) with its returns in the coming years. Its low-risk business and contractual framework indicate that the company is poised to deliver strong cash flows and enhance its shareholders' returns through higher dividend payments. Notably, Capital Power has raised its dividend for eight consecutive years.

Capital Power's growing asset base, long-term power-producing assets, and solid renewables portfolio augur well for growth. Thanks to its high-quality asset base and continued momentum in its business, Capital Power raised its outlook for adjusted EBITDA and adjusted funds from operations in 2021, which is encouraging.

Suncor Energy

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) is another stock that's [well within investors' reach](#). The stock witnessed a steep recovery post the pandemic-led selloff and is up about 65% in one year. However, it is currently trading at a forward EV/EBITDA multiple of 4.3, which is significantly lower than its historical average.

I believe Suncor stock will continue to benefit from the improving operating environment. Further, its integrated assets, continued investments in the base business, favourable product mix, and low-cost base could support its financials and, in turn, its stock. Meanwhile, Suncor's focus on debt reduction is encouraging. Also, it continues to enhance shareholders' returns through share buybacks and regular dividend payments.

Notably, Suncor stock is looking attractive at the current levels, as the recent weakness in crude prices led to a correction of about 12% in three months. I believe the pullback in Suncor stock presents a solid buying opportunity for investors, as oil prices will likely trend higher on the back of increased economic activities and a rise in demand.

CATEGORY

1. Bank Stocks
2. Coronavirus
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TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:CPX (Capital Power Corporation)
5. TSX:SU (Suncor Energy Inc.)

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Date

2025/08/17

Date Created

2021/09/28

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