



The 3 Most Underrated Canadian Stocks

Description

There are plenty of stocks out there to choose from, some good and some bad. The good ones stand the test of time and deliver superior returns to investors. The bad ones underperform or in some cases even go bust. Everybody knows these two types of stocks.

What fewer people know about are underrated stocks—stocks thought to be bad that are actually good. These are stocks with strong financials and great track records that many assume to be poor buys for whatever reason. In this article, I'll explore three such underrated stocks to consider for your portfolio.

CN Railway

The **Canadian National Railway** ([TSX:CNR](#))([NYSE:CNI](#)) is a classic underrated stock. Because it's a railroad, some people think it's old-fashioned or obsolete. Old-fashioned might be accurate. But obsolete? Hardly. Rail transport is actually still as relevant as it's ever been, at least for shipping. Rail is still the cheapest way to send goods across the land. Trucks and airplanes are far more expensive. For this reason, railroads tend to enjoy high margins and decent growth. CNR is an example of this phenomenon. In its most recent quarter, it enjoyed double-digit growth in revenue and earnings as well as a high return on equity (ROE). It's definitely a quality stock that has stood the test of time.

Alimentation Couche-Tard

Alimentation Couche-Tard (TSX:ATD.A)(TSX:ATD.B) is another underrated **TSX** stock. It's not underrated in the sense of people having anything against it, it's just that most people don't know about it. It's not hard to see why that's the case. Gas station/convenience store chains are hardly the flavour of the month. Most people know what they are but don't consider them superior investments. Yet ATD.B has [risen nearly 1,000%](#) over the last 10 years.

Why has it risen so much? It comes down to a couple of factors.

The first is ATD.B's acquisition strategy. The company invests heavily in acquisitions, but it doesn't

take on too much debt to finance them. As a result, it has been able to build up several huge convenience store chains without taking on too much debt. The second is geographic diversification. ATD.B operates chains across Canada, the U.S., and the EU, so it can take a hit in any one region and still thrive in others. It's a recipe for success that has rewarded shareholders well over the years.

Algonquin Power & Utilities

Algonquin Power & Utilities ([TSX:AQN](#))([NYSE:AQN](#)) is a Canadian utility stock that doesn't get as much credit as it deserves. Utilities in general are known for "slow and steady" returns and high dividend yields. It's true that that description fits utilities as a whole. But it's not accurate for AQN specifically. Its stock is actually up a massive 350% over the last decade. Its five-year growth rates in revenue and earnings are 20% and 59%, respectively. It's a "[green energy](#)" utility whose operations aren't likely to be unharmed by future climate change regulations. Put simply, it's a great company. And its stock is pretty good too.

CATEGORY

1. Dividend Stocks

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:CNI (Canadian National Railway Company)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:ATD (Alimentation Couche-Tard Inc.)
5. TSX:CNR (Canadian National Railway Company)

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