3 Best Canadian Stocks to Buy at a Heavy Discount

Description

The Canadian stock market has trended higher and remained strong over the past one and a half years for various reasons, including economic expansion, recovery in corporate earnings, and lower interest rates, to name a few.

Thanks to the strong buying in Canadian equities, most stocks are trading at a higher valuation multiple. However, few stocks are offering good value and are trading at heavy discounts compared to their peaks.

Here are the three best Canadian stocks that I'd recommend long-term investors to buy now.

Air Canada

The pandemic-related uncertainty and new variant of the virus continue to take a toll on **Air Canada** (TSX:AC) stock. Despite witnessing sequential improvement in capacity and bookings, Air Canada stock is trading at about a 55% discount from the pre-pandemic levels. Long-term investors could consider buying Air Canada stock at the current price levels as the company's financial and operating performance is likely to improve in the coming quarters.

Though the corporate demand and overall booking rates are well below the pre-COVID levels, it is improving gradually on the back of vaccination and easing travel measures. I expect Air Canada's revenues to improve while its net cash burn will likely go down. Further, I remain upbeat over its revenue diversification initiatives. Overall, Air Canada stock is trading at a heavy discount, and I expect to deliver stellar returns as its operations return to normal in the medium to long-term.

Suncor Energy

Similar to Air Canada, the COVID-19 pandemic weighed heavily on the financials of **Suncor Energy** (TSX:SU)(NYSE:SU). As the pandemic wiped out demand, Suncor lost billions in market cap. Though the crude oil and other commodity prices have bounced back sharply, Suncor stock is still trading at a massive discount of about 49% from the pre-COVID price levels and appears to be a solid long-term bet.

While I admit that the uncertainty related to the virus could continue to play spoilsport for Suncor stock in the near term, I expect it to handily outperform the broader markets in the long run. Its improved mix, integrated assets, higher average realized prices, and lower breakeven costs will likely give a major boost to its earnings, in turn, its stock price. Further, strategic capital allocation and reduction of debt augur well for growth. You could also benefit from Suncor's regular dividend payments and share buybacks.

Cineplex

The strict stay-at-home mandates and closures of its operations to curb the spread of the virus led to a massive decline in **Cineplex**'s (TSX:CGX) revenues and profitability, in turn, its stock. While the ongoing vaccination and reopening of its operations have driven a partial recovery in its price, it is still available at a 60% discount from the pre-COVID levels.

I expect the normalization of its operations, recovery in demand, and strong movie slate to significantly boost its financials and stock price. Its traffic, revenues, and cash burn rate are likely to improve on a sequential basis. Further, its strategic initiatives, including movie subscription programs and cost-savings measures, will likely support its growth.

Bottom line

While these stocks are trading at a significant discount, investors should proceed with caution and only invest for the long term as these stocks could remain volatile in the near term.

CATEGORY

1. Coronavirus
2. Energy Stocks

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:AC (Air Canada)
3. TSX:CGX (Cineplex Inc.)
4. TSX:SU (Suncor Energy Inc.)

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