2 Canadian Stocks That Are Ridiculously Cheap

Description

Don't think for a second that there are zero opportunities on the **TSX Index** just because so many pundits are questioning the stretched valuations of some of the market's highest flyers. Just as there are severely overvalued stocks or bubbles at any time, there can also be magnificent bargains that many may be sleeping on.

In this piece, we'll have a look at at two names that Canadian investors appear to have already given up on. Should they clock in a better-than-expected earnings result ahead of the lowered bar set in front of them, they could be propelled right back into the spotlight. By then, though, it'll likely be too late to get a depressed valuation.

Consider the following duo of Canadian stocks that are still cheap despite their recent strength. Whenever you can get a name with a depressed multiple alongside meaningful medium-term momentum, you may very well have a timely play that could be next to draw the attention of the herd.

Suncor Energy

The recent strength in oil is nothing short of unprecedented. Going from the negatives to US$85 is a move that nobody without a crystal ball would have foreseen. Indeed, oil's relief rally could lift the rest of the Albertan oil patch much higher into year-end, including Suncor stock, which lost a step last year.

Despite oil's strength, we all know that commodities are an unpredictable beast and that they could easily reverse in a hurry as production ramps up in a way that could overtake demand. That's why it's vital to insist on deep value when going on the hunt for bargains in the energy space. ESG factors will continue working against the integrated oil companies and once oil does finally top out, reverse momentum could have the potential to be equally as fierce.

I'm no fan of chasing commodities higher. Still, **Suncor Energy** (TSX:SU)(NYSE:SU) stock strikes me as a name that already has a margin of safety such that a steep pullback in WTI below the US$65-75 range would be unlikely to result in excess downside. Compared to its peers, SU stock has lagged in a big way. That's why I'm a huge fan of the name right here for investors who missed the bounceback in oil producers.

The stock is incredibly cheap at a very modest 1.2 times book value and 5.4 times cash flow. The $43.5 billion integrated play may very well be one of the best deals in the space right now. It's still off considerably from its 2020 high, which, I believe, makes no sense given the profound tailwinds facing the sector right now.

So, rather than chasing breakout energy stocks ahead of what could be a cooling off of oil prices, consider dollar-cost averaging into a deep-value player like Suncor.

Onex

ONEX (TSX:ONEX) is a hidden gem that's hiding in plain sight on the TSX. The basket of well-run businesses, ranging from airlines to a wide range of other businesses that felt the impact of COVID, has been discounted heavily amid the 2020 market crash. Today, the stock has recovered, and it's looking to surge to new heights on the back of improving results. Over the past year, shares popped a remarkable 60%. What's even more remarkable is the ridiculously low price-to-earnings multiple sitting at 4.2 and the nearly 10% discount to the stock's book value.

There's nothing wrong with Onex. As COVID pressures ease, the firms under the Onex umbrella will strengthen further, and a considerable amount of upside could be in the cards, as investors reward the stock with a higher multiple, all while earnings come flowing in.

Analysts have a knack for severely underestimating the firm's earnings going into quarters, and it's not a mystery as to why. Onex is a complicated beast with a lot going on behind the scenes. Still, the valuation doesn't lie, nor does the incredible momentum that could well carry into 2022.

CATEGORY

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2. TSX:ONEX (Onex Corporation)
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