Got $1,000? Invest in These 3 Canadian Undervalued Stocks

Description

Despite the expectation of prolonged inflation and the announcement by the Bank of Canada to end the stimulus program, the Canadian equity markets have continued their uptrend. Investors' optimism over the improvement in corporate earnings appears to have supported the equity markets' growth. However, a few companies are still trading a significant discount from their pre-pandemic levels and are available at attractive valuations. So, investors can utilize the bargain in the following three undervalued stocks to earn superior returns over the next three years.

Suncor Energy

On Wednesday, **Suncor Energy** (TSX:SU)(NYSE:SU) reported impressive third-quarter earnings. Its operating earnings came in at $1.043 billion compared to a loss of $338 million in the previous year's quarter. Meanwhile, its funds from operations increased by 126.5% to $2.64 billion. Increased crude production, higher refinery utilization rate, greater product realizations, and a decline in depreciation, depletion, and amortization exploration (DD&A) and exploration expenses boosted its financials.

Suncor Energy also repurchased shares worth approximately $2.6 billion in the first nine months of this year while reducing $3.1 billion of net debt. The solid third-quarter earnings appear to have increased investors' confidence, driving its stock price by over 13% yesterday. Despite the surge, the company still trades close to 20% lower than its pre-pandemic levels. Also, its price-to-book multiple stands at an attractive 1.2.

Meanwhile, the uptrend in Suncor Energy's financials could continue, given higher commodity prices, rising production, and its cost-cutting initiatives. Amid the optimism over its future cash flows, its management has doubled its quarterly dividends to $0.42 per share, with its forward yield standing at 5.25%. So, given its healthy growth prospects, high dividend yield, and attractive valuation, Suncor Energy could be an excellent addition to your portfolio.

Air Canada

Air Canada (TSX:AC) is my second pick. The resurgence of COVID-19 cases due to the new Delta variant has halted Air Canada's recovery, which is still trading at a discount of 54% from its pre-pandemic levels. Also, its forward price-to-sales multiple stands at 0.7. Meanwhile, the significant discount on Air Canada's stock price offers excellent buying opportunities for long-term investors.

Amid the reopening of economies and easing of restrictions, Air Canada has already resumed its service to various destinations worldwide. Also, it continues to strengthen its cargo segment with the addition of new aircraft and routes. The company is constructing a $16 million project at the Toronto Pearson International Airport cargo facility to expand and enhance its cold chain handling capabilities. Along with these initiatives, the introduction of its loyalty program, Aeroplan, and its cost-reduction initiatives augur well with its growth prospects.

Cineplex

My final pick would be **Cineplex** (TSX:CGX), which trades at over a 60% discount from its January 2020 levels. The pandemic-infused restrictions forced the company to close its avenues, severely denting its financials and stock price. Meanwhile, with the easing of restrictions, the company has opened all its scenes from July 17. With the expansion of vaccination, the entertainment industry could slowly return to normal levels of operations.

The new movie releases, subscription programs, and enhanced safety measures could also drive footfalls, thus supporting Cineplex's financial growth. Further, the company has taken several initiatives to reduce its expenses while strengthening its balance sheet, which could aid in bouncing back quickly. With its forward price-to-sales multiple at 0.6, I believe Cineplex would be an excellent buy for investors with a longer investment horizon.

CATEGORY

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

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Date
2025/08/24
Date Created
2021/10/29
Author
rnanjapla