2 Stocks That Are Grossly Undervalued

Description

The TSX didn't have an explosive start to November 2021. Instead, it rose and then dipped in the first two trading days. It's too early to tell this month's trend, although the index remains safe in record territory. For value investors, two hidden gems fly under the radar.

Teck Resources (TSX:TECK.B)(NYSE:TECK) and **Logistec** (TSX:LGT.A) aren't getting enough attention, but they deserve to be on your watchlist. Both are grossly undervalued stocks, yet they display resiliency this year. Their breakouts are imminent, as the businesses should thrive in the economic recovery phase.

Stellar quarterly results

Vancouver-based Teck Resources is one of Canada's leading mining companies. It has a market capitalization of $18.45 billion and engages in mining and mineral development. The miner's core business units focus on copper, zinc, and steel-making coal. All of them are essential in the transition to a low-carbon environment.

In Q3 2021, Teck's financial results were stellar. The revenue growth versus Q3 2020 was 73.3%. However, the quarter's highlights were the 228.5% and 1,237.7% increase in adjusted EBITDA and profits, respectively, compared to the same period last year. Both are new records for the company. As of October 26, 2021, Teck's liquidity stood at $5.4 billion.

Teck's president and CEO Don Lindsay cited the combo of extremely favourable commodity price environment and solid operational performance as reasons for the impressive quarterly results. He added, "Heading into the fourth quarter, we are focused on continuing to optimize sales and production to capitalize on high commodity prices and advancing our priority QB2 copper project."

The current share price of $34.61 is 96.4% higher than a year ago, while the year-to-date gain is 50.6%. Based on analysts' forecasts, the upside potential is 19.4% in the next 12 months. The overall return could be higher, as the large-cap stock pays a 0.58% dividend yield.

Back to pre-pandemic levels

Logistec has had a solid run in the last 10 years, delivering a total return of 445.17% (18.48% CAGR). This year, trading volume is weak, although current investors are content with the 24.28% year-to-date gain. Also, at $45.66 per share, you can partake of the 0.86% dividend.

This $592.55 million company from Montreal provides critical services, particularly in environmental, marine, and water. The business has vastly improved in 2021 following a challenging COVID year. In the first half of 2021, revenue growth was 19.1% versus the same period in 2020. Operating profit rose 89.4% to $10.23 million.

The highlight in the six months ended June 26, 2021, was the $4.66 million profit. Logistec incurred $615,000 losses during the same period last year. According to management, the positive results, particularly in Q2 2021, were due to the favourable current environment and strong demand in the business segments.

The business to watch is cargo handling, as activities and volumes in Logistec's 80 terminals in 54 ports are returning to pre-pandemic levels. Thus, the company is optimistic about the business performance in the back half of 2021. Management reiterates the focus on driving profitable growth. It should result in sustainable value to stakeholders.

Excellent recovery plays

Value investors shouldn't look elsewhere for excellent recovery plays. Teck Resources and Logistec are future multi-baggers. The impressive operational and financial results are just starting points of their long growth runways.

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