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3 Ridiculously Cheap TSX Stocks to Buy Before December

Description

If you are looking for cheap stocks on the **TSX**, the recent stock dip might be a perfect opportunity. Certainly, buying a cheap or declining stock can be emotionally challenging. However, if you have ample reasons to like a business for the long run, market declines can be a great time to buy stocks at Black Friday-like bargain prices. Three TSX stocks that look very cheap today are **Suncor Energy** (TSX:SU)(NYSE:SU), **Alimentation Couche-Tard** (TSX:ATD.A)(TSX:ATD.B), and **BRP** (TSX:DOO)(NASDAQ:DOOO).

Suncor: A cheap energy giant

Suncor Energy has a had a pretty decent run up in 2021. Year to date, this TSX stock is up over 57%! Yet compared to the **S&P/TSX Capped Energy Index**, Suncor has lagged by almost 30 percentage points. Despite recently doubling its dividend, significantly reducing debt, and completing ample share buybacks, this stock still has not reached its pre-pandemic value. In fact, it still trades at a 25% discount to that price.

Suncor has had some operational missteps earlier this year. However, it appears that it has largely worked through the majority of these issue and production is starting to ramp up again.

At current oil prices, Suncor is producing a lot of free cash flow. It recently implemented a new plan to reduce costs, buy back stock, lower debt, and unlock operational efficiencies. If executed correctly, that could produce an extra $2 billion in excess free cash flow. Today, it pays a nice 5% dividend, so investors get an ample reward while they wait for this plan to unfold.

Alimentation Couche-Tard: A TSX stock that is down but not out

Alimentation Couche-Tard took a bit of a dive on Wednesday due to weaker-than-expected second-quarter 2022 earnings. After the earnings release, the stock fell by more than 5%. In the quarter, Couche-Tard saw revenues increase 33% year over year to $14 billion. However, net earnings per share fell 4.4% to $0.65. That was worse than the market had expected.

Right now, the company is facing some margin pressures from rising cost of goods and staffing. This could put pressure on earnings for a few quarters. However, Couche-Tard is an exceptional operator. It has a strong history of delivering solid shareholder returns. With a price-to-earnings (P/E) ratio of only 15 times, this TSX stock still looks pretty cheap.

In this quarter alone, Couche-Tard bought back $238 million worth of shares. Likewise, it raised its quarterly dividend by 25.7% to $0.11 per share. Despite some operational weakness, this company is doing all the right things to keep long-term shareholders happy.

BRP: A TSX growth stock at a major bargain

A TSX growth stock that recently pulled back is BRP. While this stock is down around 8% this month, it has a great history of delivering for shareholders. In fact, over the past five years, faithful shareholders are up 363% (not including dividends). While its business is somewhat cyclical, BRP has done a great job of diversifying its product mix and attracting new customers.

Recent stock weakness is from worries around rising input costs, staffing inflation, and supply chain challenges (especially in getting semi-conductor components). So far, the company has navigated these challenges very well. Regardless, the stock is pretty cheap right now. Despite consistently growing annual earnings by around 30%, BRP stock only trades with a P/E of 9.9. This is far below its historic valuation range, so it looks like a real steal today.

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:ATD (Alimentation Couche-Tard Inc.)
4. TSX:DOO (BRP Inc.)
5. TSX:SU (Suncor Energy Inc.)

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robbybrown