



3 Stocks to Buy Now That Shouldn't Be This Cheap

Description

The pandemic and the market crash it triggered are way behind us, but their remnants can often be seen in the market. That's partly because some businesses are taking more time to recover and partially because, thanks to new variants, the fear of the pandemic is still kindling, and it erupts from time to time.

Whether that's the reason or its simply splendid earnings that are keeping them at or below the fair valuation, there are three companies that are cheaper than they should technically be.

An investment management company

Despite soaring near its all-time high price, Toronto-based **ONEX** ([TSX:ONEX](#)) is very aggressively undervalued. The price-to-earnings multiple is just 3.8, while the price-to-book multiple has fallen to 0.8. That is in striking contrast to its 129% growth from its market crash price, which has also pushed the dividend yield down to 0.42%.

Many investors were expecting the stock to come down, weighed down by WestJet, but it's just a small part of the company's portfolio of operating companies, and the growth in others could have easily made up for the loss of income WestJet must be experiencing along with the rest of the airline industry.

ONEX's valuation might be quite attractive, but you might consider waiting for the stock to simmer down a bit before buying.

A steel company

Stelco Holdings ([TSX:STLC](#)) has been around for over a century. It operated independently from 1910 to 2007, when it went bankrupt and was bought by a U.S.-based company. It went public in 2016, and its journey (since it joined TSX) has been mostly downhill. Or at least it was the case pre-pandemic, because, after the market crash of 2020, the stock practically exploded and has grown over 900% since then.

The company has two major production facilities and produces about two million tons of steel/steel products per year. And even more impressive than this growth is the financial growth the company has seen in the last few quarters, with its revenue growing over 5.7 times in the third quarter of 2021 (compared to the same quarter 2020). This has contributed to the attractive valuation. It also pays dividends, and the current yield is 3%.

A real estate company

Another company that saw its stock spike but its valuation drop in the last couple of years is **Tricon Residential** ([TSX:TCN](#)). [The company](#) operates a portfolio of over 27,000 single-family rental properties, over 7,700 multi-family apartments, and more are in the pipeline. The portfolio is worth about \$12.1 billion, of which \$5.6 billion worth of assets under management are third party.

The bulk of the portfolio is in the United States. The stock, which used to languish around \$10 a share, is now over \$18, and it's trading at a 53% premium to its pre-pandemic peak. The decent growth run has pushed the market capitalization up to \$5 billion, yet the value itself remains below the fair level, with the price-to-earnings multiple at 7.4.

Foolish takeaway

The three [undervalued stocks](#) have experienced a post-pandemic growth spike in both stock *and* revenues, which kept the valuation in check. But despite the financially sound growth, the companies have reached a point close to or beyond their all-time high, and they might not be able to stay on those heights for long. So, instead of buying the undervalued peak, you might consider waiting for a fairly valued or overvalued dip.

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1. Dividend Stocks
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2. TSX:STLC (Stelco Holdings Inc.)
3. TSX:TCN (Tricon Residential Inc.)

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