2 Cheap TSX 60 Components to Buy Right Now

Description

Most **TSX** stocks have seen a sharp rally in 2021. However, some fundamentally strong stocks have still underperformed the broader market by a wide margin, making them look cheap to buy. In this article, I'll talk about two such cheap stocks from the TSX 60 Index that long-term investors can buy right now and expect handsome returns on their investment in the near term.

Canadian Pacific stock

Canadian Pacific Railway (TSX:CP)(NYSE:CP) is a well-known transcontinental railway that gives its customers access to key global markets through its strong rail transportation network across North America. It's a part of the TSX 60 Index and has a market cap of about $62 billion at the moment.

In 2020, Canadian Pacific's total revenue fell slightly, as the COVID-19-related challenges affected the demand for its services due to the tough business environment. Nonetheless, the situation improved on many fronts this year. As a result, the growth trend in its financials has improved in the last couple of quarters, with Canadian Pacific reporting good YoY (year-over-year) growth in its top as well as bottom line.

In Q3 2021, the rail giant reported a 4.2% YoY increase in its total revenue to $1.94 billion, despite the ongoing supply chain disruptions. Canadian Pacific's adjusted earnings for the quarter stood at $0.88 per share — up 6.8% from a year ago. Despite its struggle with supply chain issues, its management remains confident that the company will manage to post a double-digit earnings increase in the full year 2021.

Consistent improvements in the overall business environment and the gradually subsiding supply chain disruptions could further boost the demand for Canadian Pacific's services in 2022. These factors make CP stock worth buying, as it trades with only 5% year-to-date gains compared to a nearly 24.5% jump in the TSX 60 Index.

Franco-Nevada stock

Franco-Nevada (TSX:FNV)(NYSE:FNV) could be another great TSX 60 component to bet on right now. This Toronto-based gold-focused royalty firm has a market cap of more than $33 billion. Apart from its geographically well-diversified revenue streams, its decades-long track record of yielding consistently positive returns for investors makes it worth considering. Interestingly, FNV stock has yielded strong positive returns in 13 out of the last 15 years. However, the stock has underperformed the broader market in 2021, as it currently trades with only 9% year-to-date gains.

While the COVID-19-driven challenges badly affected most businesses last year, a few companies, like Franco-Nevada continued to post strong financial growth. In 2020, its adjusted earnings rose by about 49% YoY to US$2.71 per share. It's also among a handful of companies that have consistently been beating analysts' consensus earnings estimates for the last 11 quarters.

With the help of stronger earnings growth momentum in the first half of 2021, analysts expect Franco-Nevada to post a strong 27% earnings growth for the full year. After reporting a 51.2% adjusted net profit margin last year, analysts also expect its already strong profitability to expand. Despite these positive factors, this TSX stock hasn't seen much appreciation lately, making it look really cheap to buy right now.

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2. NYSE:FNV (Franco-Nevada)
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