The 3 Best TSX Stocks to Buy While They're Dirt Cheap

Description

Shrewd Canadian investors can use the recent bearish volatility on the **TSX** to load up on high-quality stocks at a discount. However, it often goes against our nature to buy a stock that has declined.

Yet, those severe drops are often the best opportunity to maximize ultimate long-term returns. If you don't mind buying stocks on the dip, here are three high-quality TSX compounders that are still very cheap today.

TSX stock 1: Alimentation Couche-Tard

It has been a volatile ride for **Alimentation Couche-Tard** (TSX:ATD) stock over the past year. Over the past year, it has zig-zagged on several occasions. Each of those dips has been an attractive buying opportunity. Couche-Tard is one of the best compounding stocks on the TSX.

Over the past 10 years, it has delivered a 906% total return. That is equal to a 25% compounded annual return! It operates a diversified portfolio of convenience stores and gas stations across the world. While not exactly an exciting business, its management team has been excellent at allocating capital.

At 9.9 times EBITDA and 16 times earnings, this TSX stock is cheap, especially when compared to its historical levels. As a result, the company is buying back a massive amount of shares.

Over the past year, it bought back more than $1 billion worth of stock. More share buybacks are expected in 2022. At some point the combination of declining share count and rising earnings should propel this stock upward.

Stock 2: Brookfield Asset Management

Over the longer term, **Brookfield Asset Management** (TSX:BAM.A)(NYSE:BAM) has also been a great compounder. Over the past 20 years, this TSX stock has delivered a total 2,206% return (a 17%

average annual return). That is not including the many wonderful companies it has spun-off to shareholders in that time.

Brookfield has benefitted from the low-for-longer interest rate environment. Institutional capital has been losing money with bonds, so alternative assets (real estate, infrastructure, renewable power, etc.) have become very attractive high-yielding assets.

Brookfield is in an exceptional position to prosper going forward. It has the size and scale to quickly grow on many new fronts (insurance, renewables, technology, private investor wealth management). If a recession hits, it can use its strong balance sheet to swipe up businesses at fire-sale prices. If not, it has many levers to organically grow its franchises.

Today, management believes the stock trades at a near 35% discount to its intrinsic value when compared to peers. Given that ample margin of safety, this TSX stock looks like an attractive, cheap buy today.

TSX Stock 3: FirstService

FirstService (TSX:FSV)(NASDAQ:FSV) is another great TSX compounding stock that recently fell off a cliff. FirstService operates franchises in residential property management, building maintenance, property services, and restoration.

Not many Canadian investors follow this stock, but it has delivered a 461% total return since it was spun-out of **Colliers** in 2016. Annualized, that is a 28.9% return!

In many cases, FirstService has become the market leader in its segment. While modestly managing debt, it has acquired several great, moat-like franchises. Yet, it also is seeing attractive organic growth. This has propelled compounded annual revenue and adjusted EBITDA growth of 17% and 20%, respectively, since 2016.

This TSX stock recently pulled back by nearly 30% since the start of the year. FirstService stock is almost never cheap, so the substantial decline presents a great entry point. This is one quality stock to buy, hold, and never let go of.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. NASDAQ:FSV (FirstService Corporation)
2. NYSE:BN (Brookfield Corporation)
3. TSX:ATD (Alimentation Couche-Tard Inc.)
4. TSX:BN (Brookfield)
5. TSX:FSV (FirstService Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. jguest
2. robbybrown

Category

1. Investing
2. Stocks for Beginners

Date
2025/07/04
Date Created
2022/03/19
Author
robbybrown