2 Undervalued TSX Stocks Investors Can Buy in June

Description

The ongoing selloff offers investors an opportunity to buy quality stocks at a discount. There are several fundamentally strong companies trading on the Toronto Stock Exchange that are poised to deliver outsized gains over the long term.

Let's take a look at two such undervalued gems Canadians can buy right now.

Restaurant Brands International

Valued at a market cap of $21 billion, **Restaurant Brands International** (TSX:QSR)(NYSE:QSR) is one of the largest companies in Canada. It operates as a quick-service restaurant company that include brands such as Tim Hortons, Burger King, Popeyes Louisiana Kitchen, and Firehouse Subs.

In Q1 of 2022, QSR grew system-wide sales by 14% year over year. Its comparable sales growth stood at 8% on the back of strong sales from Tim Hortons Canada and Burger King International. Further, home market digital sales reached their highest level ever as a percentage of system-wide sales for QSR in Q1. Restaurant Brands International saw a record number of restaurant openings in the March quarter, allowing it to return $400 million to investors in the form of dividends and buybacks.

QSR pays investors an annual dividend of $2.78 per share, indicating a forward yield of a tasty 4.2%. In the last 12 months, QSR generated $1.36 billion in free cash flow, which suggests a payout ratio of less than 65%.

Analysts tracking QSR stock expect sales to rise by 8% year over year to $7.88 billion, which means its valued at less than three times forward sales. QSR stock is also trading at 16 times forward earnings, which is quite reasonable.

Bay Street expects QSR stock to increase by almost 50% in the next 12 months, making it an attractive buy for value and growth investors.

Toronto-Dominion Bank

One of the largest banks in Canada, **Toronto-Dominion Bank** is valued at a market cap of $173 billion. The triple whammy of rising interest rates, higher inflation, and a tepid macro-economy has dragged TD stock lower by 9.5% from all-time highs.

Banking is a cyclical industry, and it’s imperative for companies that are part of the sector to have robust fundamentals to tide over an uncertain environment. TD Bank claims to have a 21% market share in Canada and remains the top player across multiple product categories. It is also among the top-10 banks in the U.S., and this region accounts for more than 25% of total revenue.

Canada’s banking sector is highly regulated, which has allowed TD Bank and its peers to survive multiple downturns that include a financial crash and a worldwide pandemic in the last 14 years.

TD Bank ended the most recent quarter with a tier-one capital ratio of 15.2%, which is the highest ratio among banks in North America.

TD Bank offers investors a forward yield of 3.7%. Further, TD stock is valued at a forward price-to-earnings multiple of 12.6, which is cheap given its earnings are forecast to increase by 17% annually in the next five years.

Despite the recent pullback, TD Bank stock has returned 270% to investors in the last 10 years after adjusting for dividends. Comparatively, the TSX has gained 160% to investors since June 2012.

CATEGORY

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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:QSR (Restaurant Brands International Inc.)
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