Value Investors: 2 TSX Stocks Deserve Serious Attention

Description

Decliners outnumbered advancers on June 10, 2022, when the **TSX** pulled back for the second consecutive session. Like in May, the stock market could spike and dip again this month due to the complex and unpredictable environment. Nevertheless, buying opportunities are plenty, as many stocks trade below their intrinsic values.

Parkland (TSX:PKI) and **Cineplex** (TSX:CGX) were among the 73% of the total stocks that saw their share prices drop on Friday. However, the pair deserve serious attention, especially from value investors. Market analysts covering the stocks see an upside potential of more than 20% in the next 12 months.

Organic growth through diversification

Parkland isn't actually losing year to date (+12%), but the current share price should be higher than what it is today. The $5.99 billion company is an independent marketer of fuel and petroleum products in North America and selected international markets. It's also a food & convenience operator and is into renewable energy.

In Q1 2022, sales and operating revenue increased 80% versus Q1 2021. Net earnings climbed 89.7% year over year to $55 million. Parkland's president and CEO Bob Espey said, "Our first-quarter results demonstrate the strength of our strategy. We grew our marketing business by integrating recent acquisitions and leveraging our supply advantage."

Espey added, "We continue to prioritize organic growth initiatives, integrate and capture synergies from recent acquisitions." Management is confident about achieving the high end of its 2022 adjusted EBITDA guidance. The company also paid $49 million in dividends. You can partake of the 3.37% dividend if you invest today.

Apart from developing its existing business in resilient markets, Parkland is diversifying into food, convenience, and renewable energy solutions. It acquired frozen food retailer M&M Food Markets early this year as part of its retail diversification strategy.

On the clean energy side, the fuel retailer plans to increase its renewable fuel production at its Barnaby refinery in British Columbia. Management also disclosed plans to build a renewable diesel plant within the same refinery location. The standalone complex should produce 6,500 barrels per day.

According to Parkland, the B.C. government will extend support to the project (40% of cost) through low-carbon fuel credits. Management said its renewable fuel production will reduce related greenhouse gas (GHG) emissions by about two million tonnes per year.

Strong momentum

Things should be looking up for Canada's iconic theatre operator. In Q1 2022, returning moviegoers helped Cineplex increase its total revenues by 452.3% to $228.7 million versus Q1 2021. The $737.96 million company reported a net loss of $42.2 million, which represents a 52.9% improvement from the same quarter last year.

Ellis Jacob, Cineplex's president and CEO, said, "With operating restrictions now completely lifted across our entire circuit, guests and customers are quickly returning and we are seeing positive results and momentum across all of our business lines." Management is confident in its ability to effectively emerge from COVID-19 and drive long-term value creation for shareholders.

The latest development is the strategic alignment of Cineplex and **Scotiabank** with **Empire Company** through the Scene+, a leading loyalty program. This entertainment stock is down 14.4% year to date ($11.65), although market analysts' 12-month average price target is $17.75 (+52.4%).

Exciting picks

Parkland and Cineplex are exciting picks for their visible business growth potential in the coming quarters.

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2. TSX:PKI (Parkland Fuel Corporation)

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