3 TSX Stocks That Are Too Cheap to Ignore!

Description

Are you shopping for value stocks in today's environment? Here are three **TSX** stocks that are too cheap to ignore. Check them out to see if they fit your investment portfolio.

Like gold and silver? WPM stock is dirt cheap

Wheaton Precious Metals (TSX:WPM)(NYSE:WPM) stock tends to trade at a premium to its precious metal mining peers. There are multiple reasons for its higher multiple. The company's business model enables it to enjoy high margins. Its cash flows are, therefore, also higher quality.

Wheaton Precious Metals doesn't operate any mines. Instead, it has come into agreement with 23 operating mines to buy primarily gold and silver at preset low prices. In exchange, it pays those mines a set amount to help them develop the mines.

To illustrate, in the first quarter, WPM sold gold at an average price of US$1,870 versus cash costs of US$477 per ounce. Similarly, its average realized silver price was US$24.19 versus cash costs of US$5.10 per ounce.

Consequently, the company's operating costs are low and predictable. For example, WPM's trailing 12-month (TTM) operating expenses were only 5.3% of revenues, leading to a high operating margin of 50.7%. WPM has 13 development projects (streams) underway, which can boost its cash flow significantly.

At about US$35 at writing, WPM stock trades at about 17.9 times cash flow. The analyst consensus 12-month price target suggests that's a substantial discount of approximately 40%. The TSX stock is simply too cheap to ignore! It also yields roughly 1.7% to add to total returns.

Oil stocks are also cheap

The WTI oil price dropped below US$100 per barrel at writing. That is a psychological threshold for investors. What about the Canadian Western Select? It's at about US$94 per barrel. **Whitecap Resources** (TSX:WCP) stock dipped more than 7% yesterday in reaction to volatile energy prices.

At $8.54 per share, the oil stock trades at a valuation of about 3.1 times cash flow. That's a basement price! The company is gushing free cash flow at the still-high oil prices, which is why the energy stock's monthly dividend is about 88% higher year over year. It now offers a decent dividend yield of 4.2%.

Its dividend is covered by earnings and cash flow. For instance, its TTM payout ratio is close to 6% of earnings and 21% of free cash flow. I suppose its volatility makes it challenging to invest in. In any case, the oil stock could be a great buy on the dip to its 50-week simple moving average.

A cheap bank stock for safe, juicy dividends

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) is an undervalued stock. The big bank stock is more exposed to emerging markets, which is why it tends to trades at a lower valuation than its peers. Emerging markets can provide higher economic growth, but developing market loans are also riskier. However, it doesn't change the fact that BNS stock has is core business in Canada and pays out safe dividends on a sustainable payout ratio of about 48%.

At $74.76 per share at writing, it trades at about 8.9 times earnings, which is more than 20% cheaper than its normal long-term valuation. Investors who seek passive income can start nibbling the stock for an initial juicy yield of 5.5%.

After buying cheap stocks, be patient. Don't be easily shaken out of your shares, particularly if you get juicy dividends from the likes of BNS stock.

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3. TSX:BNS (Bank Of Nova Scotia)
4. TSX:WCP (Whitecap Resources Inc.)
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