3 Undervalued Stocks to Buy Before the Market Snaps Back

Description

While most equity markets endured an extended bull run between the financial crash of 2009 and the COVID-19 pandemic, it might be difficult to identify quality value stocks trading at a discount.

But the stock market selloff has dragged valuations of companies across sectors lower. Let's take a look at three such undervalued stocks trading on the TSX that investors can buy now.

TSX value stock #1

A company engaged in the manufacturing of aerospace and aviation equipment, **Exchange Income** (TSX:EIF) is a TSX stock valued at a market cap of $2.27 billion. Exchange Income went public back in 2004 and has since delivered close to 3,000% returns to shareholders in less than 19 years. Despite these outsized gains, it also offers investors a tasty dividend yield of 4.7%.

EIF stock is forecast to expand its adjusted earnings by more than 30% each in the next two years, showcasing the resiliency of its business. Comparatively, EIF stock is priced at 18 times forward earnings, which is quite reasonable given its earnings expansion and dividend yield.

Analysts tracking the stock expect it to surge by more than 15% in the next year. After accounting for its dividend, total returns will be closer to 20%.

TSX value stock #2

A high-flying growth stock that is trading at a discount is **Brookfield Renewable Partners** (TSX:BEP.UN). Down 38% from all-time highs, BEP stock offers investors a forward yield of 4.5%. Since 2001, these payouts have increased at an annual rate of 6%.

One of the largest clean energy companies globally, Brookfield Renewable, is well positioned to deliver steady returns to shareholders in the upcoming decade.

Brookfield Renewable owns and operates a portfolio of hydro, solar, and wind energy facilities with a capacity of 24 gigawatts. It now expects to expand its capacity to more than 90 gigawatts in the next few years.

BEP stock is currently priced at a discount of more than 25% to consensus price target estimates.

TSX value stock #3

The final value stock on this list is one of Canada's largest companies: **Toronto-Dominion Bank** (TSX:TD). Trading almost 16% below all-time highs, TD Bank pays shareholders annual dividends of $3.84 per share, translating to a yield of 4.3%.

Equipped with a strong balance sheet and a common equity tier-one ratio of 14.9%, TD Bank is positioned to tide over a challenging macroeconomic environment easily. A common equity tier-one ratio measures the financial strength of a bank to absorb losses, and a higher ratio is better, as it provides companies with an additional required liquidity buffer.

TD Bank enjoys a leadership position in Canada and is the second-largest bank by net assets, market cap, and net income in the country. It also has the highest deposits compared to its Canadian banking peers.

Priced at less than 10 times forward earnings, TD Bank has massive upside potential, especially if the economy recovers in the second half of this year. After accounting for its dividend yield, TD Bank stock can return around 15% to investors in the next 12 months.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
2. TSX:EIF (Exchange Income Corporation)
3. TSX:TD (The Toronto-Dominion Bank)

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