2 Great Undervalued Canadian Stocks to Buy in 2021

Description

The tech sector led the way for much of the growth in the Canadian stock market in 2020.

The global pandemic had major impacts on businesses across the world. One of which was a rapid acceleration in the digitization of how businesses operated. As a result, investors saw a surge in demand for e-commerce-related services, which sent many tech stocks soaring.

Along with the tech sector, the Canadian stock market has been on an incredible bull run since the last week of March of last year.

The **S&P/TSX Composite Index** is up close to 60% since the end of March and very close to returning to all-time highs. Even so, there are still plenty of Canadian stocks trading at very opportunistic discounts today.

I've covered two Canadian stocks that are trading well below all-time highs today. Both of which is a market leader in its own respective industry.

If you're a long-term investor, you'll be thanking yourself in a decade for picking up shares of these undervalued companies.

Canadian stock #1: Sun Life Financial

The financial sector was among the hardest hit by the COVID-19 pandemic. Interest rates were lowered in response to the weakened Canadian economy, which had negative impacts on the major bank's bottom lines.

Sun Life Financial (TSX:SLF)(NYSE:SLF) isn't a major Canadian bank, but it is one of the largest insurance providers in the country. The company also specializes in providing wealth and asset management to both individual consumers and corporate clients.

Sun Life initially lost almost 50% of its value in barely over a month when the pandemic first hit North America. The Canadian stock managed to rally 65% since the end of March but is still trading 15% below all-time highs.

Even after a 65% bull run, Sun Life is still trading at a very reasonable valuation today. The undervalued company trades at a favourable forward price-to-earnings ratio of below 10 today.

There's no question that 2020 was a rough year for Sun Life, along with the rest of the financial sector. The road to recovery may be a slow one, but patient long-term value investors should be seriously considering adding this $30 billion financial services company to their portfolio.

Canadian stock #2: Kinaxis

Canadian tech stocks in general have been on fire since the market bottomed out last March. However, we've seen more than a handful of those tech companies cool off as of late.

Canadian tech favourites, **Shopify** and **Lightspeed POS**, seem to have only been able to go up since April of last year. It's been an incredible run for both Canadian stocks, but it's been a nightmare for investors looking for an attractive entry.

Don't get me wrong, I'm extremely bullish on both of the companies. But at those valuations today, I'd prefer to wait for a decent pullback in price before adding shares to my positions.

At today's price, **Kinaxis** (TSX:KXS) should be on all Canadian investor's watch lists. The $5 billion tech stock has done nothing but crush the Canadian market's returns since it became a public company in 2014.

Over the past five years, Kinaxis' share price is up 300%. In comparison, the Canadian stock market has returned growth of just 40%.

The tech company is in the business of software development. It builds cloud-based subscription software for supply-chain operations in countries across the globe.

It's no secret to hear that many companies last year saw their supply-chain operations completely disrupted. The COVID-19 pandemic caused an abrupt change in consumer shopping behaviour. As a result, Kinaxis' software has almost never been as essential to businesses as it is today.

It's not a value stock, but it's trading at a discount

Kinaxis was at one point riding a bull run of close to 150% last year. Since hitting an all-time high in early August, though, shares of the Canadian stock are down close to 20%.

Trading at a price-to-sales ratio of 20 today, most investors would not consider this a cheap stock. But is it undervalued considering its growth potential? Absolutely.

Investors will likely have a more volatile ride holding this Canadian stock in comparison to Sun Life, but Kinaxis' potential to continue to be a market-beating stock for many more years remains high.

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2. Tech Stocks

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TICKERS GLOBAL

1. TSX:KXS (Kinaxis Inc.)
2. TSX:SLF (Sun Life Financial Inc.)

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