



Value Investors: Don't Miss Out on These 3 Ridiculously Cheap Stocks

Description

As the TSX Composite Index continues to inch higher, many value investors are becoming frustrated at the lack of bargains in today's market.

The days of January, when it seemed like cheap stocks were abundant, are long behind us, replaced with an overall market that's up 20% from these recent lows. This move is good news for folks who want to retire soon, but bad news for young investors looking for long-term bargains. These investors should be cheering low markets, loving the buying opportunity contained within.

While it's definitely more difficult to find stocks as cheap as they were in January, there are still certain companies out there that are trading at very reasonable valuations. These companies do have a few warts—like good value stocks usually do—but their problems are nothing that can't be fixed.

Here are three cheap stocks value investors should really be checking out.

Aimia

Aimia Inc. ([TSX:AIM](#)) is an operator of customer-loyalty programs for certain retailers with operations around the world. You probably know Aimia best for running the Aeroplan program for **Air Canada**, which has grown to be Canada's largest customer-loyalty rewards scheme.

Billionaire investor Warren Buffett loves the insurance business because unpaid premiums generate float—capital that can be invested until needed for claims. Aimia's business is very similar: customers pay for miles upfront that might not be cashed in for years. This is a good thing.

Investors are also unfairly punishing the company for a weak Canadian consumer. Sure, purchases are down year over year, but the company is still projected to earn approximately \$1.40 per share in free cash flow for 2016. That puts shares at just six times forward free cash flow, which is about as cheap as you'll find.

Aimia also pays investors a generous dividend, coming in at 9.4%. With a payout ratio of less than 60% and a recent dividend raise by management, investors can count on Aimia's dividend to provide

nice income while waiting for the price to recover.

Morguard REIT

Morguard Real Estate Inv. ([TSX:MRT.UN](#)) is a diversified real estate company, holding 50 commercial properties that cover more than 8.8 million square feet in gross leasable area. Approximately 40% of assets are in Ontario with 25% in Alberta.

This Albertan exposure is hurting Morguard. Its largest tenant, **Penn West Petroleum**, which accounts for approximately 12% of net operating income, has been rumoured to be going bankrupt for months now. Penn West just announced an asset sale, which should be enough for it to stave off bankruptcy. This is likely good news for Morguard.

Morguard has a total book value of \$1.57 billion, while shares only trade hands at \$943 million. This means investors are buying shares at a 40% discount to book. The company is also on pace to generate more than \$1.60 per share in funds from operations (FFO) in 2016, and its 6.3% dividend represents a payout ratio of less than 60% of FFO.

Power Financial

Power Financial Corp. (TSX:PWF) is a holding company that has stakes in **Great-West Lifeco**, **IGM Financial**, and a European holding company. Based on its ownership of these three assets, the company should have a market cap of approximately \$28 billion. Investors can currently buy shares at a discount of more than 20% at a valuation of \$22 billion.

It isn't just the 20% discount that should be attracting investors. Power Financial also trades at just 11.1 times trailing earnings. And 2016's expectations are even better; analysts expect the bottom line to be \$3.07 per share. That puts shares at just 10.1 times forward earnings.

Finally, Power Financial pays a 5.1% dividend—a number you don't generally get out of giant financial companies. And with a payout ratio of approximately 50% of 2016's projected earnings, investors can be patient waiting for this company to trade closer to its historic discount to true value, which is approximately 10-15%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AIM (Aimia Inc.)
2. TSX:MRT.UN (Morguard Real Estate Investment Trust)

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