Value Investors: These Quality Stocks Are Trading at Deep Discounts

Description

When it comes to dividend stocks trading at deep discounts, what's not to love? The following two Canadian stocks are TFSA ready and offer passive income with decent yields. Buy today and you'll lock in some great value as well. From flexible packaging to healthy auto solutions, the following trio will help you pad out an income portfolio or put meat on the bones of a retirement fund.

Transcontinental (TSX:TCL.A)

If you don't know Transcontinental, it's a success story in the world of print, publishing, and digital media, but perhaps most importantly for North America as a whole, flexible packaging. It's seems to be a mainstay of lists of discounted stocks, and today it's trading with more than 50% knocked off its future cash flow value.

If you like your valuation to take income into account, a P/E ratio of 8.9 times earnings should float your boat, while assets-focused investors should be pleased by a P/B ratio of 1.3 times book. If growth is your thing, an 8.3% expected annual growth in earnings over the next one to three years is pretty middling, but at least it's positive. Return on equity was 14% last year for Transcontinental, adding a dash of quality.

A dividend yield of 3.43% has to be this stock's biggest pull, though investors with little appetite for risk should be aware that Transcontinental owes almost as much as it's worth, with a debt level of 94.2% of net worth.

With regards to trend, Transcontinental's share price was climbing nicely until a summer drop-off; ordinarily, this is a fairly steady-rolling ticker, with a low five-year volatility relative to the market signified by a beta of 0.89.

In terms of competitors, look to **Berry Global Group**, **Sonoco Products**, or **Bemis Company** for comparisons or possible complementary picks.

Exco Technologies (TSX:XTC)

It’s been a hard year for any stocks related to metal or metal-working, with the shadow of protectionism hanging over entire industries — not least of which the auto industry. While the economic damage cannot be overstated, the fact is that some value opportunities have certainly opened up in the stronger of the affected stocks.

Exco Technologies is one such stock. Exposure to any one metal-related industry is lessened by holding this stock, since its base of operations covers components, dies, molds, assemblies, and equipment for the die-cast and auto industries.

If you like special offers, look no further than a discounted of 39% of future cash flow value. More into income valuation? A P/E of 10.8 times earnings is low – but is it too low? For a stock that is signaling a so-so 11.6% expected annual earnings growth during the upcoming one to three years, this ratio makes sense; as does a PEG of 0.9 times growth. Asset-focused investors should find a P/B ratio of 1.3 times book enticing.

The bottom line

Given the ongoing uncertainty surrounding the Canadian auto market at the moment, it is understandable that the latter stock is discounted; that said, it is good quality and signaling growth. Considering that the auto industry is both integral to the consumer market and also likely to be buoyed by the government in the event of economic hardship, the outlook of Exco Technologies appears to justify buying. Meanwhile, Transcontinental remains a strong buy.

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