



## 2 Cheap Stocks for Value-Focused Investors to Buy and Hold

### Description

There's something about cheap Canadian stocks that really makes them stand out on the world markets. Maybe part of the reason is the perception that the best stocks have to be expensive. This certainly seems to be the case with the better tech stocks, and many of the staple banking stocks and utilities have crept into overvaluation following a strong summer.

But the fact is that good value doesn't have to mean poor quality. Indeed, the **S&P/TSX Composite Index** is unique in having so many high-quality stocks in desirable sectors trading at phenomenal discounts. Below you will find two great examples of exactly that: good quality paired with good value. It's a diversified duo: one retail and one energy stock, meaning that value investors could slot both into a single portfolio without fear of under diversification or overexposure.

#### Leon's Furniture ([TSX:LNF](#))

Not everyone likes retail stocks at the moment, and it's easy to see why: with a possible global downturn around the corner, defensiveness is key to investors right now. While retail doesn't exactly scream stability, [Leon's Furniture](#) could potentially benefit from a recession due to its home-focused catalogue, however.

Discounted by 41% of its future cash flow value, Leon's Furniture is probably one of the best-valued retailers at the moment. A P/E of 12.2 times earnings is low without being overly such, while a P/B of 1.7 times book is acceptable.

As far as quality is concerned, a 2.2% expected reduction in earnings over the next one to three years doesn't bode well, though this seems par for the course with retail right now, while a return on equity 14% last year and dividend yield of 3.2% more than makes up for this outlook. A fair debt level of 29.9% of net worth makes this a low-risk investment for the long term buyer.

#### Polaris Infrastructure ([TSX:PIF](#))

If you like energy stocks – and who doesn't? — then you may be interested to see that this geothermal energy stock with a Latin American base of operations is discounted by more than 50% of its future

cash flow value.

A P/E of 24.6 times earnings is not too bad for the Canadian renewable energy industry, though it does of course trail the market. A PEG of 0.3 times growth and P/B of 0.8 times book underline this low valuation.

A 72.4% expected annual growth in earnings over the next 1-3 years makes this a very tempting pick for growth investors who like their stocks undervalued. Further quality indicators include a dividend yield of 6.24%, and so-so (for the industry) level of debt of 87.1% of net worth. Return on equity was 3% last year for this stock; while that seems low, at least it's positive.

### **The bottom line**

Leon's Furniture is looking very appealing right now, especially compared with competitors such as **Canadian Tire, Best Buy, or Hudson's Bay**.

That said, all of the above would make good picks if you like the idea of holding retail stocks. Meanwhile, [Polaris Infrastructure](#) likewise is a strong buy at the moment, though do compare with the likes of **Algonquin Power and Utilities, Boralex, or Calpine**.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

### **TICKERS GLOBAL**

1. TSX:LNF (Leon's Furniture Limited)
2. TSX:PIF (Polaris Renewable Energy)

### **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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