

2 Top Value Stocks to Buy Now

Description

It's no secret that for [value investors](#), finding a stock that fits the bill is no easy task these days.

So when we do, it is best to act swiftly.

Let's look at two such value stocks that I believe represent very attractive value.

Uni-Select Inc. ([TSX:UNS](#))

Uni-Select stock has had a rough ride as of late.

But with a dividend yield of 1.78%, a strong cash flow business, geographic diversification, and strong market share positions in all its segments, Uni-Select is worth a look.

In my article dated August 14, I wrote about how I thought Uni-Select was very attractively valued and offered a great opportunity for investors to establish positions.

This was after second-quarter 2019 results were released and the stock fell 12%, as margins were lower than expected and investors got spooked as a result.

Management did reiterate their 2018 guidance of revenue growth of 2.25% to 4%, and adjusted EBITDA margins of 7.2% to 8.2%.

But let's fast forward to today.

The stock has leveled off in the \$20 to \$21 range, and a shakeup is happening.

After several quarters of subpar performance and missed expectations, the CEO has been ousted, as has the President of FinishMaster, Uni-Select's underperforming segment.

With this, 2018 guidance has been reduced.

So what we have now is guidance of 0.8% to 2.6% revenue growth, thereby reflecting weakness at FinishMaster, and guidance for EBITDA margins of 6.75% to 7.25%.

The company is undergoing a strategic review, with management seemingly considering all options including a sale of parts of the business, another potential catalyst for the stock.

And while the stock is definitely more volatile than I would like, this volatility is giving investors plenty of chances to establish positions in a company that generates strong cash flows and has a successful history as a consolidator.

The stock is now trading at a P/E ratio of 14 times 2018 expected earnings, and 13 times 2019 expected consensus earnings.

The company's ROE stands at almost 10% and trades at a P/B of 1.3 times.

These are very attractive valuation levels.

Yes, Uni-Select is going through some hardship, and this stock is not for the faint of heart, but for those investors looking for a good deal, keep reading.

Free cash flow in the first six months of 2018 was \$35 million, or 4% of sales.

The company is using this cash flow to pay down debt, which currently stands at 3.5 times EBITDA, and is expected to come down significantly over the next couple of years.

Industrial Alliance Insurance and Financial Services ([TSX:IAG](#))

Industrial Alliance is a value stock that also bears mention here, as it stands to benefit from [rising interest rates](#) and is trading below long-term averages.

Recent acquisitions provide added short and long-term growth, and diversification into the U.S.

The dividend has grown at a four-year compound annual growth rate of 12.4%, and with a current dividend yield of 3.14%, Industrial Alliance pays investors to wait for the stock to appreciate from its undervalued levels.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:IAG (iA Financial Corporation Inc.)
2. TSX:UNS (Uni-Select)

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