3 Dirt Cheap Value Stocks With Sky-High Dividend Yields

Description

For value investors, volatile times can be great harvests. Panic in the markets can lead to mispriced stocks. Sharp upswings can be great opportunities to take profits. Deep downswings can present contrarian buying opportunities that pay dividends later–in some cases, literally.

The past few months have been a volatile time on the TSX, marked by sharp upswings late in the summer and a steep correction in October. Stocks have started to climb up again, but many bargains are still available for the taking. The financial sector, in particular, has many great value picks available for investors willing to follow a contrarian strategy.

With that in mind, here are three great TSX value picks that offer low P/E ratios and high dividends–perfect for the contrarian value investor.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

Bank of Nova Scotia (Scotiabank) is Canada's third-largest bank by market cap. It's also one of the cheapest at the time being, with a 10.52 P/E ratio and a 1.44 price-to-book ratio. Scotiabank has some strong profitability metrics, including a 32.77% profit margin and a 13.61% return on equity. The company's revenue and earnings were down slightly in Q3, which partially explains the dirt cheap valuation. At the same time, the stock pays a very generous dividend which yields 4.78% at the time of this writing.

Manulife Financial Corp (TSX:MFC)(NYSE:MFC)

Manulife is a major financial service company whose primary offerings include insurance (health, life and travel) and investment funds (mutual funds, ETFs and others). Manulife's P/E ratio for the trailing 12-month period is 21.86, which isn't *that* low. However, data from **Thomson Reuters** gives a forward P/E ratio of just 7.53, which is *insanely* cheap (but less reliable than the TTM calculation). The stock also has phenomenal price-to-book and PEG ratios of 1.06 and 0.71, respectively. The stock pays a dividend that yields about 4% at the time of this writing, and was recently increased by 14%.

Power Corporation of Canada (TSX:POW)

Power Corporation is a diversified holding company. At 93 years old, it is one of Canada's oldest companies. With $785 in assets under management, it's also one of the largest. Power Corporation has an extremely low P/E ratio of 8.31, along with a very low price-to-book ratio of 0.91. Best of all is the dividend, which yields 5.51% at the time of this writing. It should be noted that this company's revenue and earnings are trending downward, which partially explains the dirt-cheap valuation.

Bottom line

The key to value investing is going against the crowd. Instead of getting caught up in market hype, pick stocks that are priced low compared to their intrinsic value. All of the three stocks mentioned in this article have very low P/E and price-to-book ratios. Most of them don't have the frothiest earnings growth around, which explains the cheap valuations. However, they all have high dividend yields, which can help you ride out a period of lacklustre gains while waiting for fundamentals to improve.

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