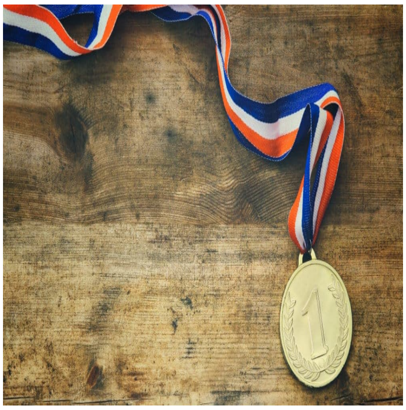

2 TSX Index Dogs That Could Be Huge Winners in 2019

Description

There's no sugar-coating it: 2018 was a nasty year and a huge letdown for many investors who grew overly bullish, as stocks went parabolic before correcting violently to a level that's been tested multiple times this year.

There are numerous concerns that have investors feeling that the emergence of the bear is inevitable, and while you could certainly flee to bonds and defensive dividend stocks with the entirety of your invested capital, a potentially smarter long-term move may be to allocate your funds strategically in some of the most battered of blue-chip names that may have endured a bit too much damage.

It's these severely bruised names that could face the most significant upside correction in the new year once Mr. Market returns to his senses. So, without further ado, here are my top two TSX dogs that could make up for lost time in the new year.

Shaw Communications (TSX:SJR.B)(NYSE:SJR)

Shaw stock has been a stomach-churning roller-coaster ride, with shares fluctuating like a wave between $22 and $30 over the last five years. Although the name has been among the choppiest of trips of all the Canadian telecoms, investors who continued to hang on to the name continued to be rewarded with a fat dividend, which currently yields 4.7%.

At the time of writing, Shaw stock is down 20% from its all-time high. The stock trades at a 17.7 forward P/E, a 2.2 P/B, and a 2.38 P/S, all of which are slightly lower than the company's five-year historical average multiples of 18.6, 2.5, and 2.4, respectively.

Even after the steep decline, Shaw isn't necessarily dirt cheap, but when you factor in the company's ambitious growth prospects with its wireless business in Freedom Mobile, Shaw deserves to trade at a premium to its lower-growth peers in the space.

Over the last decade, Shaw has grown its revenues by around 5.4% per year over the past 10 years, but as Freedom Mobile goes after the Big Three's wireless market share, I expect to see sustained double-digit top-line growth numbers over the next five years, as management is serious about causing a disturbance in Canada's wireless scene.

Roots (TSX:ROOT)

Roots has been a complete train wreck of a stock this year, with shares now down a whopping 75% from peak levels reached in May. The company is pulling the breaks on its U.S. expansion plan, as management takes on a "more conservative approach" following the release of third-quarter results that can only be described as abysmal.

Management lowered its three-year guidance and took the opportunity to blame the poor results on warmer weather and one-time sales from "Canada 150," among other issues that plagued the company.

Same-store sales growth (SSSG) numbers and revenues both fell short of expectations, and at this point, it really seems as though most investors have lost confidence in management, who's starting to gain a reputation of underperformance. Where others see a dog, I see a deep-value opportunity for investors willing to take a bit of short-term pain for what I believe could be massive upside gain over the next three years.

The bar is set low right now — too low, such that a meeting of now lowered expectations could be enough to get the stock out of the gutter and back on the upward trajectory. Roots is a solid Canadian brand with deep roots (pun intended), and I believe the company can regain the confidence of investors as it gradually beats its now more conservative forward-looking guidance.

Let's face it: overly ambitious IPO guidances are seldom realistic and are usually more about hype than anything. Expectations are reset now, and for just 0.7 times book, you're getting a severely undervalued name that has the potential to garner a considerable amount of momentum from here.

Stay hungry. Stay Foolish.

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3. TSX:SJR.B (Shaw Communications)

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joefrenette