



## TFSA Investors: 2 Dirt-Cheap Stocks That TFSA Investors Should Buy Now

### Description

You can realistically build a tax-free fortune with your TFSA. The effects of tax-free compounding over the long term can only be described as profound. So, if you're a young investor who's got \$6,000 in disposable cash lying around, it's time to put it towards your 2019 TFSA contribution, using the proceeds to buy the undervalued stocks after the recent TSX tumble.

**Canadian Tire** ([TSX:CTC.A](#)) and **Boyd Group Income Fund** (TSX:BYD.UN) are two names that stand out to me as ridiculously undervalued, not just because both names are cheap from historical standpoint, but they are well positioned to grow their earnings at an above-average rate over the next five, 10, and 20 years with a higher degree of predictability relative to any high-flying tech play.

Without further ado, let's have a closer look at each company to see if either is right to add to your 2019 TFSA portfolio.

### Canadian Tire

Now down 21% from all-time highs, Canadian Tire sports a 2.92% dividend yield — the highest it's been in over a decade, making the stock an attractive pick for [income-oriented investors](#) who desire an above-average rate of dividend growth.

The brick-and-mortar company isn't just adapting effectively to better compete with its digital counterparts. Management is playing its strengths by acquiring exclusive brands and partnerships to further bolster its already impressive lineup of private label offerings.

Through many smart moves of management, Canadian Tire has seen its EPS growth accelerate over the past decade — a trend I expect to continue over the next five years in spite of the rising competition brought forth by e-commerce.

Canadian Tire is an iconic physical retailer that's in close proximity to many Canadians across the nation. It's this dense store network, when combined with its growing lineup of exclusive offerings, that serves as Canadian Tire's moat — a moat that's discounted heavily by many analysts covering the

name as well as investors.

At the time of writing, the stock trades at 10.9 times next year's expected earnings, which is absurd given the long-term trajectory of gross margins and the robust revenue-growth numbers experienced across all chains (Canadian Tire, FGL Sports, and Mark's).

## Boyd Group

As a proven [earnings-growth king](#) that's effectively leveraged the growth-by-acquisition model, Boyd doesn't get the coverage or respect it rightfully deserves.

The collision-repair shop roll-up has a ridiculously high growth ceiling, and given the expertise of management in unlocking synergies from its acquisitions, I suspect the company has many years' (if not decades') worth of high double-digit earnings growth left in the tank.

At the time of writing, Boyd shares are down 15% from all-time highs, and although the 22.5 forward P/E appears rich for such a low-tech business, the valuation isn't at all that steep when you consider the company has grown its top line by over 20% per year over the last decade.

Moreover, given the uptrending operating margins, the impressive 17% TTM ROE, and the impeccable financial flexibility that'll allow for further accretive deals in 2019, I'd say now is as good a time as any to pull the trigger on Boyd if you're in the market for a relatively cheap under-the-radar growth king.

You won't hear about Boyd in the mainstream financial media, as the company has a market cap that's just south of \$2 billion. Given the tremendous low-volatility momentum experienced over the last five years, however, I wouldn't be surprised to see Boyd rise to become one of the sought-after names on the entire TSX index.

Indeed, this unique growth story is one that every Canadian investor will hear about in a few years from now, possibly after the stock has doubled or tripled in price. If you're young, and you've got the time to let the stock do its thing, I'd buy the stock ASAP.

Stay hungry. Stay Foolish.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)

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