3 of the Healthiest Undervalued Stocks on the TSX Index

Description

There are some great undervalued stocks on the TSX index at the moment, with healthy balance sheets and decent dividend yields on offer. Already holding the top bankers and utilities, but still want to beef up your dividend portfolio? If you're looking to invest in the stock market but only at low prices, and you want to know the healthiest stocks to buy now to lock in a sturdy dividend yield, the following three tickers will give some indication of where to go for additional passive income.

Equitable Group (TSX:EQB)

Specializing largely in retail and commercial financial services through its subsidiary, Equitable Bank, this alternative to the Big Six makes for a strong undervalued buy at current prices.

Though its past-year earnings growth of 2.6% trailed the industry average of 16.4% for the same period, a 12.7% average over the past five years for Equitable Group shows a generally solid game plan, while a 12.6% expected annual growth in earnings show the next couple of years, putting this financial ticker back on track.

In terms of value, all the signs lead to undervaluation, with a P/E of 6.4 times earnings, PEG of 0.5 times growth, and P/B of 0.9 times confirmed by a discount by 49% compared to its future cash flow value. At today's price, you'll lock in a yield of 1.8%, making this one of the best-valued dividend stocks on the TSX index.

Transcontinental (TSX:TCL.A)

If you're looking for ready geographical diversification in a semi-cyclical industry, try this TSX index print and packaging superstar, with operations spread across North and South America, Oceania, and the U.K.

It's not exactly a growth stock, however: a one-year past earnings growth of just 1% matches the Canadian commercial services industry average exactly, while its five-year average past earnings growth of 31.2% is strikingly similar to the industry's 32% growth. In terms of outlook, Transcontinental is expecting a meagre 0.8% annual growth in earnings over the next couple of years.

It's great value, though, with a P/E of 7.5 times earnings and discount by 45% against its future cash flow value; it's also trading at its book price. Buying at today's share price gets investors a dividend yield of 4.32%.

Leon's Furniture (TSX:LNF)

This TSX-listed retailer of Canadian homeware is selling at a 46% discount against its projected cash flow value and offers a modest dividend yield of 3.76%. In terms of track record, a one-year past earnings growth of 8.1% outperforms the Canadian specialty retail market and only slightly trails its own five-year growth of 10.9%.

In terms of value, Leon's Furniture looks good, with a P/E of 10.6 times earnings and P/B of 1.4 times combining with that discount to show possible undervaluation. Though it's not a growth stock, with only a 0.4% expected annual rise in earnings, it's still one of the best-valued dividend stocks on the TSX index.

The bottom line

All three tickers listed above display robust health, with low debt levels and sturdy balance sheets. If you're a value investor looking for discounted stocks on the TSX index that pay dividends, all three of the above are strong buys.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:EQB (EQB)
2. TSX:LNF (Leon's Furniture Limited)
3. TSX:TCL.A (Transcontinental Inc.)

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