



Value Investors: These 3 TSX Stocks Are Dirt Cheap

Description

Value investing, when executed properly, can be an incredibly powerful wealth-generation technique.

Although the methodology has evolved over the years from picking statistically cheap stocks to focusing on higher quality over the long term, there's still potential to make some serious money by buying stocks with cheap price-to-earnings ratios and holding them until they appreciate nicely. The key is knowing when to sell. Many of the cheapest stocks today are not ones you want to own over the long term.

Remember, this strategy worked for some of the greatest investors of all time, like Ben Graham, Warren Buffett, and Walter Schloss, [who might be the best investor you've never heard of](#).

Here are three dirt-cheap Canadian value stocks — companies that have all sorts of upside potential. Let's take a closer look.

Corus Entertainment

Something funny has happened with **Corus Entertainment** ([TSX:CJR.B](#)) shares since the company announced a 79% dividend cut. After bottoming out shortly after that cut was announced, shares have been on a tear lately. The stock is up 67% from the bottom and 25% thus far in 2019.

There are two potential catalysts that could push Corus shares even higher. The first is improved results, which might prove challenging in today's media world. Many advertisers don't focus on television ads any longer; they'd rather spend that money online. But a federal election in the fall and an Alberta provincial election sometime relatively soon should help advertising results this year.

Remember, Corus already generates plenty of free cash flow. In its fiscal 2018, it generated \$349 million in free cash flow. The stock has a market cap of \$1.3 billion. That gives it a price-to-free cash flow ratio under four, which is as cheap as you'll find on the TSX today.

The other catalyst that could send Corus shares higher is somebody acquiring the company. The Shaw

family does control Corus shares, but with **Shaw Communications's** recent strategy shift towards wireless, it's speculated the family would happily vote to sell the company for a nice premium.

Western Forest Products

Western Forest Products ([TSX:WEF](#)) is a forestry company quietly generating solid results that doesn't get much respect from investors who are bearish on the overall sector.

The company focuses on specialty lumber products, which account for about 60% of its revenue. While focusing on these products does hamper growth, it comes with more predictable margins. Growth will come from acquisitions, like the recently announced \$30.5 million purchase of Columbia Vista. This acquisition was paid for from cash on hand; the company currently has a net cash position.

Shares are cheap, too, trading hands at less than 10 times projected forward earnings of \$0.20 per share for 2019. Shares are also cheap on a price-to-book value perspective, trading at 1.2 times book, and on a price-to-sales ratio, which checks in at 0.6. And investors are paid a generous 4.8% dividend while waiting for the share price to go up.

Gluskin Sheff

Gluskin Sheff and Associates (TSX:GS) is an asset manager that dividend investors should be taking a much closer look at. Shares currently yield more than 9%, and the company has a history of paying investors special dividends over and above these generous regular dividends. Since going public in 2006, the company has paid more than \$18 per share back to owners. Not bad for a stock trading at \$11 today.

There is no doubt the asset management business is a tough place to be today, and Gluskin Sheff's valuation proves that pessimism has investors somewhat bearish on the stock. Shares trade at just 9.1 times expected 2019 earnings, which is probably too cheap for a leader in such an outstanding business.

The company has other things going for it as well, including recent strong performance in the equity markets, which should lead to nice results in this quarter after last quarter was marred by poor underlying stock performance. It also has a strong balance sheet with a net cash position of more than \$25 million.

This is another stock investors can buy today and patiently collect generous dividends from while they wait for the price to recover.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CJR.B (Corus Entertainment Inc.)
2. TSX:WEF (Western Forest Products Inc.)

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