



2 Undervalued Stocks to Buy Right Now

Description

Spotting undervalued stocks is not easy, but when you do, the gains could be more than expected. Theoretically speaking, a stock price is indicative of a company's current worth with the future growth embedded therein. But in the stock market, some stocks are priced way below a company's actual value.

For undervalued stocks like **Encana Corporation** (TSX:ECA)(NYSE:ECA) and **First National Financial Corporation** ([TSX:FN](#)), the stocks would eventually seek its own value. If you invest in these two stocks today, there will be substantial windfall over the course of time.

Value for money

Encana Corp. suffered deep losses in 2015, but slowly recovered to [emerge even stronger](#) three years later. Investor disenchantment with the stock is fast eroding and interest is rapidly rising. But for six straight quarters, the \$6.5 billion Calgary-based energy company has been showing vigorous output growth.

Management gave investors an update of second-quarter production recently. Based on the running quarter production, the MBOED (thousand barrels of oil equivalent per day) production would be 73% to 76% better than in the year-ago period, equating to a total of 585 to 595 MBOED.

For Encana, production growth will always drive performance. Now that the production level as well as prices are increasing, earnings and cash flows will simultaneously grow.

Market observers know the energy producer's strength of operations is not yet reflected in the stock price, but it will soon be. ECA's price should be in the vicinity of \$10.50. Some analysts feel the stock could be worth 4.5 times more than the going price of \$4.62. I almost forgot to mention that Encana pays a dividend of 1.4%.

Forget the mortgage stigma

First National Financial Corp. isn't getting enough attention primarily because it offers residential and commercial mortgages. The specialty finance company and other alternative mortgage companies carry the stigma of the infamous subprime mortgages. However, that is unfounded and unwarranted.

As Canada's largest non-bank mortgage originator and underwriter, First National Financial should be viewed in a different light. The company is not losing. Net income has been steady for the last three years and profit margins holding up at nearly 34.0%.

Mortgage servicing is FN's true expertise supported by proprietary technologies. It's also the bread and butter that provides stable and recurring income. The value of the Mortgage under Administration (MUA) in 2019 has topped \$106 billion. These are the intangibles that should be driving the price higher than what it is now.

The fears surrounding the mortgage business are causing investor apprehension and hiding the company's real worth. But the saving grace is that First National Financial is one of the [dividend kings](#). The current dividend yield is a very high 5.82%.

In summary, you don't have to go far when looking for undervalued stocks. An energy producer that's getting a second wind and a well-run non-traditional mortgage only bank are high-quality investments. The intrinsic values of the companies are concealed, but will never escape the eye of value investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FN (First National Financial Corporation)

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