



2 Ridiculously Cheap Stocks for Amazing Upside

Description

The North American markets are trading near their all-time highs, but there are still [bargains lying around](#) in plain sight. Here are two ridiculously cheap stocks that can deliver incredible upside!

TORC Oil and Gas

TORC Oil and Gas (TSX:TOG) is an oil-weighted producer that focuses on operational upside. Its production mix is about 88% light oil and liquids, and 12% natural gas. So, higher oil prices will make a bigger impact on its stock price. Its run-rate production is 28,300 barrels of oil equivalent per day.

TORC is well run. It takes extra care to maintain a strong balance sheet at all times so that it can withstand tough conditions of low commodity prices. Furthermore, it focuses on sustaining its asset base and growing its business by reinvesting its cash flow back into the company.

Even assuming a base-case scenario of US\$50 WTI oil, TORC's net debt to cash flow would only be very conservative at 1.7 times and the total payout ratio would be 97%. Therefore, investors should view the oil and gas producer's dividend yield of 7% as a bonus.

Based on the analysts' mean 12-month target from **Thomson Reuters**, TORC has astounding upside potential of 79%!



Transcontinental

Transcontinental ([TSX:TCL.A](#)) is in the midst of a major transformation — from Canada's largest printer to a leading packaging company. The run-rate revenue is estimated to be about \$3 billion with a revenue mix of 62% in packaging, 33% in printing, and 5% in media over the last 12 months.

Since 2014, the company has made six small acquisitions in packaging before the large acquisition of Coveris in 2018, which made it into a top 10 flexible packaging converter in North America.

Because its bought Coveris for US\$1.32 billion, Transcontinental's net debt ratio has heightened to about 2.8 times. The company aims to quickly reduce it to less than two times by the end of next year.

Notably, the stock generates ample cash flow and has been a long-term dividend payer, increasing its dividend at a compound annual growth rate of about 11% since 1993. In the near term, the dividend growth will be lower because it will be allocating much of its cash flow to reduce its debt levels. For example, its dividend hike this year was 4.8%.

Bank of Nova Scotia has a one-year target of \$20 on the stock, which represents stunning upside potential of 34%.

Foolish takeaway

Despite an all-time high market, there are [bargains](#) to be found. TORC offers 79% upside potential and a bonus yield of 7%, while Transcontinental offers a relatively safe yield of 5.9% and 34% near-term upside potential. Notably, investors need extra patience for these value investments to play out.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

1. TSX:TCL.A (Transcontinental Inc.)

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