



## TFSA Investors: 3 Cheap Stocks Yielding Up to 6.8%

### Description

Many investors want to build a [passive income empire](#) inside their TFSA, eventually growing the account large enough that it's capable of spinning off some serious income.

But we mustn't forget about capital gains. These stocks also need to deliver significant capital appreciation over time. Remember, a stock that yields 5% without capital appreciation will only return 5%, but a stock that yields 5% and also grows 5% a year will generate a 10% total return.

One effective way investors have to capture capital gains is to invest in undervalued stocks. A company that's 25% undervalued versus its peers gets a nice bump up when it reverts back to a normal valuation.

Let's take a look at three undervalued Canadian stocks, dividend payers that would look great inside any TFSA. And, as a bonus, they all pay generous dividends.

### Slate Office

**Slate Office REIT** (TSX:SOT.UN) might be off the radar screen of many dividend investors — folks who were scared away earlier this year when the company slashed its dividend. The payout went from \$0.0625 to \$0.0333 per share each month, with management pledging to use the additional capital to shore up the balance sheet and repurchase undervalued shares.

Thus far in 2019, the company has repurchased some 1.8 million units, representing a capital outlay of approximately \$12 million. That's a great start.

It's easy to see why management views the shares as undervalued. The stock trades at approximately two-thirds of its stated book value, and at a low price-to-adjusted funds from operations ratio of just 9 times. The new dividend — which represents a 6.8% yield today — is well covered, too. Investors can sit back, relax, and collect that succulent yield while waiting for the share price to recover.

## Chorus Aviation

Most stocks with generous yields don't grow much, why is why it's important to buy them at a discount. But **Chorus Aviation Inc.** (TSX:CHR.B) bucks that trend with almost limitless growth potential in its airline leasing business — part of the company that's still almost in its infancy.

First, let's talk about the core part of Chorus, which operates certain regional flights for **Air Canada**. This isn't such a bad spot to be in; Air Canada provides all the back-end support, leaving Chorus free to just operate the flights. This deal has been recently extended through 2035.

The regional aviation business provides Chorus with steady profits, but the company's growth going forward is going to come from its airplane leasing business. The company buys aircraft and leases them back to regional operators — including Air Canada — which gives it an attractive return on investment and frees up cash for the operator. Since launching the program in early 2017, Chorus has acquired and then leased out 56 aircraft.

The leader in the industry has 345 aircraft leased out. It's obvious there's some massive potential there.

Investors are also getting a 6% dividend — paid monthly — and shares are trading at just 12 times trailing earnings.

## Mullen Group

**Mullen Group Ltd.** ([TSX:MTL](#)) is a trucking company that also has a large energy services business and has been a growth-by-acquisition machine since 1993. MTL has expanded operations from \$72 million in revenue to \$1.3 billion in sales in its most recent fiscal year, as it has consolidated Canada's fragmented shipping and logistics sector.

Mullen shares are down approximately 70% over the last five years, as the company has been impacted by the downturn in the energy sector. But profitability hasn't suffered that much, with Mullen telling investors it plans to do \$1.3 billion in revenue in 2019 with \$200 million in operating profits.

Mullen's current market cap is just under \$1 billion. Not only does it trade at a low price-to-operating profits ratio, but the company's underlying value is well supported by the value of its owned real estate. Mullen's real estate alone is worth between \$600 and \$700 million.

Investors are also getting a generous 6.3% yield from Mullen, a payout that is well supported by underlying cash flow.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:CHR (Chorus Aviation Inc.)

2. TSX:MTL (Mullen Group Ltd.)
3. TSX:RPR.UN (Ravelin Properties REIT)

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