Buy These 3 Cheap Stocks Before the Market Comes to its Senses

Description

Value: it can be tough to find. Despite recent volatility, the markets are in the midst of one of the longest bull runs in history. This makes it tough for value investors.

That being said, mispriced assets can be found regardless of market conditions. One of the most underrated value metrics is the price-to-earnings-to-growth ratio (PEG). The PEG ratio was made famous by famed value investor Peter Lynch.

The PEG ratio addresses the shortcomings of the P/E ratio in that it compares current valuation against future growth expectations. Typically, the P/E is compared against five-year average growth rates. In general, a PEG under one is a sign that the company's share price is not keeping up with expected growth rates. It is thus considered undervalued.

Another item to consider: the company's forward P/E ratio should be lower than its current P/E ratio. The forward P/E compares the existing price against, next year's earnings. If this number was higher, it would indicate lower year-over-year growth. This could be a warning sign.

Combined, these two simple metrics can help identify stocks that are trading at cheap valuations and that are expected to grow over the short and long term. With that in mind, here are three of the cheapest stocks on the TSX.

Martinrea International

The auto parts sector has been decimated. Most companies in the sector are trading near all-time low valuations. **Martinrea International** (TSX:MRE) is no exception.

Martinrea is trading at a ridiculously low 5.37 times earnings and 3.37 times forward earnings. One of the best ways to make money in a beaten-down sector is to invest in companies who are expected to grow regardless of the macro environment.

Martinerea fits that description. It is expected to grow earnings in the low teens annually over the next five years and has a PEG ratio of 0.33. It is the perfect time to accumulate shares in anticipation of the next upwards industry cycle.

NFI Group

NFI Group (TSX:NFI) operates in a niche industry. It is a leading North American manufacturer of buses and motor coaches. Recent operational and supply chain issues have hit the company's performance. As a result, its stock has tanked losing 22% of its value in 2019.

The selloff appears overdone. Despite current headwinds, NFI is still expected to grow revenue and earnings at a double-digit pace over the next few years. It is trading near a decade-low P/E (15.49) and forward P/E (10.13).

With a PEG ratio of 0.45, the recent selloff is overdone and the market is not accounting for strong expected growth rates.

TFI International

Posting record numbers quarter over quarter, **TFI International's** (TSX:TFII) current valuation is a head scratcher. It has done nothing but perform, topping expectations on a regular basis.

Year to date, TFI's stock is up 9%, but at one point its stock was up 30% in 2019. Thanks to its recent downtrend, the stock is once again a bargain.

The company is trading at valuations not seen since the early 2000s. A current P/E of 10.82 is well below its five-year historical average of 26.82.

Although volumes and spot rates in the transportation industry have slowed, the company is mispriced. Especially when one considers the company is expected to grow earnings by almost 20% annually over the next five years. At a PEG of 0.5 and a one-year average price target of $53.07 (38% upside), TFI International is a steal at current prices.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MRE (Martinrea International Inc.)
2. TSX:NFI (NFI Group)
3. TSX:TFII (TFI International)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise

4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/04
Date Created
2019/08/22
Author
mlitalien