



1 Cheap Dividend Stock to Ride a Volatile Market

Description

Stock market investors are always on the lookout for bargain stocks that can beat the broader indices in the long term. While it is easier to identify such stocks in a bull run, investors tend to lose significant market value in a downturn.

A choppy market makes investors cautious, and most stocks trade considerably lower in a market correction. The broader markets are volatile and are expected to remain so as we move into 2020. Several analysts are also worried about an economic recession impacting investments in 2020.

The **S&P/TSX Composite Index** is trading at 16,418, which is just 3% below its record high. Investors can expect the index to trade lower by the end of 2019 due to recession fears and a sluggish global economy.

So, how do investors play a volatile market? The best way is to invest in stocks that are recession-proof and have an attractive dividend yield and a low beta.

Ag Growth International is trading close to 52-week low

Ag Growth International ([TSX:AFN](#)) is one of Canada's leading agricultural equipment manufacturers. It has manufacturing facilities in Canada, the United States, France, India, Brazil, Italy, and South Africa. While the U.S. accounted for 40.8% of sales, Canada generated 35.3% of sales last year, while 23.7% was from international markets.

AFN stock is trading at \$39.5, which is 37.4% below its 52-week high. The stock has underperformed the markets in 2019, as it has fallen 16% in this period. Comparatively, the S&P/TSX index is up 3.6% year to date.

AFN investors have lost 37% since April 2019. The stock was impacted after its [June quarter results](#) coupled with an overall market weakness that dragged AFN to its 52-week low.

Why AFN stock has significant upside potential

The pullback witnessed in the last few months should not discourage investors. Analysts expect Ag Growth International to post revenue of \$1.02 billion in 2019 — year-over-year growth of 9.2%. Sales are expected to accelerate by 11.7% to \$1.14 billion.

Though AFN's adjusted earnings per share (EPS) is estimated to fall by 30.5% in 2019, it is estimated to rise by 44.7% in 2020 and at an annual rate of 10% over the next five years. This means AFN will increase EPS by a compound annual growth rate of 23.3% between 2020 and 2023.

When you compare these growth rates with the company's forward price-to-earnings multiple of 11.6, we can see that the stock is grossly undervalued. The price decline in AFN stock since April has meant that it now has a solid dividend yield of 5.9%.

The verdict

AFN ticks off all boxes that make it a bargain buy. Ag Growth International is somewhat recession-proof too, as it is in the agricultural manufacturing space. The earnings decline in 2019 is priced in, and the stock should move higher considering the valuation multiples.

AFN stock has a relative strength index (RSI) score of 29. An RSI score of below 30 indicates that the stock is oversold. Analysts covering AFN are optimistic. They have a 12-month average target price of \$63.06 for AFN, which is 60% higher than the current stock price.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:AFN (Ag Growth International)

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