Revealed: 2 Dirt Cheap Value Stocks I'd Buy With an Extra $5,000

Description

Despite my knowing that many of the folks expecting a recession are probably right: my portfolio only has a little bit of cash. I'm pretty much fully invested.

I realize that those two sentences don't really make much sense back to back, so allow me to explain. The underlying economic numbers don't look great. They're giving us a pretty clear message that economic growth over the short term doesn't look very good.

But at the same time, stocks are cheap, especially when you compare them to current interest rates. Many are fantastic buys today.

I'm a long-term investor. All I care about is buying great companies at good prices. Those conditions exist today. Therefore, I'll continue to buy.

If I was sitting on some extra cash right now, I'd be loading up on these two cheap value plays. Let's take a closer look.

Rogers Communications

It's been a long time since a Canadian telecom stock has been this cheap. The sector generally trades at a premium, and it's easy to see why.

Rogers Communications (TSX:RCI.B)(NYSE:RCI) has quietly sunk to a new recent 52-week low, which has created quite the buying opportunity. Shares trade at just 16 times trailing earnings, compared to a trailing earnings multiple of 17-19 times earnings for its peers. The stock is even cheaper based on next year's earnings; the forward P/E ratio is just 12.9.

I can't remember the last time a Canadian telecom stock was so cheap on a forward price-to-earnings basis.

One reason for the weakness in the stock price today is uncertainty surrounding the Canadian election.

Justin Trudeau's Liberal party has vowed to lower Canadian wireless bills by allowing more competition to enter the market.

I'm skeptical that this will work, however. After all, former Prime Minister Stephen Harper all but rolled out the red carpet to attract new players in the space while he was in charge, and nothing happened.

An investor with a long-term outlook should confidently ignore this short-term noise. Rogers is the nation's largest wireless provider. It has strong wireline divisions, including internet and cable. It owns some interesting sports franchises, including the Toronto Blue Jays and a piece of the Toronto Raptors and Maple Leafs.

Rogers even owns some of the nation's top television channels, as well as a smattering of top Canadian websites. These are the kinds of assets you want to own over the next few decades.

Finally, Rogers is poised to deliver some excellent dividend growth going forward. The current payout is approximately 40% of 2020's projected earnings. Its competition has payout ratios much closer to the 80-90% range.

Morguard

Morguard Corporation (TSX:MRC) is a real estate holding company that owns various types of property spread out across Canada. Including the real estate it manages for clients — including REITs that trade on the **Toronto Stock Exchange** — Morguard has more than $15 billion in assets either owned or under management.

Morguard also owns a portfolio of publicly-traded real estate securities, including stakes in **Temple Hotels** and, more recently, **Plaza Retail REIT**. The company has earned a reputation of being an astute buyer; chances are that if it's sniffing around a publicly traded security, it's because that company is undervalued.

Despite posting excellent gains over the years, Morguard shares remain criminally cheap. The current book value is well over $300 per share — $308.11 to be exact — while the stock wallows at just over $207 per share at writing for a discount of approximately 33%.

Morguard is cheap on a price-to-funds from operations perspective, too. The company should do approximately $20 per share in funds from operations in 2019. This puts the stock at barely more than 10 times that metric, which is very cheap. Especially when combined with the discount in book value.

The bottom line

Neither Rogers nor Morguard will be this cheap forever. If you have some extra cash kicking around, both would make excellent long-term buys today. I know I'll be looking to buy both of these stocks to my portfolio when I contribute to my investment accounts again.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:MRC (Morguard Corporation)
2. TSX:RCI.B (Rogers Communications Inc.)

PARTNER-FEEDS

1. Business Insider
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