2 Cheap Dividend Stocks to Buy Right Now

Description

As markets remain volatile and choppy, investors are increasingly in favour of stable stocks providing a recurring stream of income. Here we look at two growth stocks trading at a cheap valuation, undervalued and have significant upside potential. They should provide a perfect foil in a downturn.

NFI Group has underperformed the broader markets

NFI Group (TSX:NFI) was formerly known as New Fly Industries. It's a Canada-based bus and motor coach manufacturer as well as a parts distributor. NFI has over 30 fabrication, manufacturing, and distribution centers in North America.

NFI generates 85% of sales from manufacturing and 15% of sales from the aftermarket segment. The NFI stock has grossly underperformed the market in the last 12-months. NFI shares have lost 38% in market value since October 2018, compared to the 8.4% gain in the **S&P 500**.

NFI has lost market value, as it's failed to beat earnings estimates in three of the last four quarters. This price decline provides an opportunity for investors to buy the stock at an attractive multiple.

Analysts expect NFI to increase sales by 17% to $2.95 billion in 2019 and by 11% to $3.27 billion in 2020. This double-digit growth rate will also drive company earnings higher. Although analysts expect NFI earnings to fall 26.7% in 2019, it's expected to rise at an annual rate of 50% between 2020 and 2023.

Compare this to the stock's cheap forward price to earnings multiple of 11.2 and we can see that the stock is undervalued. It also has a solid forward dividend yield of 6.2%. NFI's dividend payout ratio stands at 72.3% which provides it with some room to grow dividends further.

The stock may very well soar higher if it manages to beat earnings estimates in the next two quarters.

Goeasy stock is up 28% in the last year

I had first written about **Goeasy** (TSX:GSY) in September 2019. I had then identified the stock as undervalued and it has since risen 11% in the just about two and a half months. The stock has returned 28% in the last 12 months but still remain an attractive investment.

Goeasy has been a significant wealth creator for investors over the years. The company has managed to grow sales at an annual rate of 12.7% between 2001 and 2018. Its net income has grown by an even higher 29% in the same period, which has resulted in robust stock price appreciation as well over the years. It has gained close to 6,500% since 2001.

Several analysts are concerned over Goeasy's business model, which they consider to be risky in a recessionary environment. Goeasy provides high-interest loans to subprime borrowers which is indeed a high-risk model. The stock lost 75% in market value between October 2007 and May 2011 when the last recession decimated financial stocks.

However, Goeasy has since made a stellar comeback. Investors can always average out their price and buy the stock on major dips as Goeasy has proven to be a solid bet in the last two decades.

Goeasy's growth story is far from over. Analysts expect Goeasy to increase sales by 20.6% to $456.8 million in 2019 and by 15.5% to $527.7 million in 2020. They expect GSY earnings to rise by 57.5% in 2019 and by 25.3% in 2020.

Compare this to the stock's cheap forward price to earnings multiple of 11 and we can see that the stock is undervalued. It also has a forward dividend yield of 2.2%. GSY's dividend payout ratio stands at just 24.2% which provides it with enough room to grow dividends as we head into 2020.

CATEGORY

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2. TSX:NFI (NFI Group)

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