



2 Deeply Discounted Dividend Stocks for 2020

Description

Here are the bargains you've been looking for! There are low expectations for these [deeply discounted dividend stocks](#). If they beat expectations even just by a small margin, the stocks can trade at much higher levels! Meanwhile, get nice dividends with yields of about 4% to 7% from them.

Transcontinental

Transcontinental ([TSX:TCL.A](#)) is a Dividend Aristocrat with 17 consecutive years of dividend increases. Its five-year dividend growth rate is 7.4%. Its last dividend hike, in February, was nearly 4.8%, a smaller hike than usual, as the company prioritizes debt reduction.

The market has abandoned the poor rich stock. Other than oil and gas producers, it'd be difficult to find a poorer stock than Transcontinental, which fell 36% in the past year.

However, it's rich at the same time. In the trailing 12 months, it generated revenue of more than \$3 billion, net income of more than \$120 million, and free cash flow of more than \$246 million. It paid out less than 63% of earnings and less than 31% of free cash flow as dividends in the period.

At \$13.10 per share as of writing, Transcontinental stock trades at 5.4 times earnings and 5.2 times free cash flow. The stock trades at a deep discount because it's weighed down by its legacy printing business, which makes up about 44% of its revenue.

Thanks to its acquisition and integration efforts since 2014, Transcontinental now has more than 50% of revenue coming from its packaging business.

Notably, the stock will likely continue to be hit by tax-loss selling that extends through December 27.

Transcontinental's juicy yield of 6.7% is safe, as it has a strong track record of growing its dividend and ample dividend coverage from its earnings and free cash flow. However, if the market crashes in 2020, the stock could fall a further 30%.

Manulife

Manulife Financial ([TSX:MFC](#))([NYSE:MFC](#)) is [one of the cheapest financial stocks](#) on the market. At \$25.60 per share as of writing, it trades at about 8.9 times its 2019 estimated earnings, while it's estimated to increase its earnings per share by 8% to 11% per year over the next three to five years.

The deeply discounted dividend stock also offers a yield of 3.9%. Its annualized payout of \$1 per share is protected by a payout ratio of less than 43%.

Moreover, Manulife has nearly doubled its payout since 2013. Some investors may be puzzled that the company kept its quarterly dividend the same for five consecutive quarters, as dividend growth companies usually increase dividends every four quarters or two.

Notably, prior to these five quarters, Manulife kept its dividend the same for three quarters before increasing it by 13.6%. So, the company could very well increase the dividend in the next quarter. And if not, Manulife will still be keeping its dividend growth streak intact as long as it increases its dividend by mid-2020.

The 12-month average price target of Manulife represents 18% near-term upside potential. Assuming a growth rate of 8% and a normal price-to-earnings ratio of 10 to 12, Manulife stock can deliver extraordinary five-year total returns of 15% to 18% per year!

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:TCL.A (Transcontinental Inc.)

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