2020: 2 Cheap Stocks Gushing With Cash

Description

2019 was a great year for stocks, as most recovered from the market correction in 2018. Yet, here are two cheap stocks that generate gushing cash flow but still hold incredible upside potential.

Transcontinental

After the tax-loss selling season in late 2019, **Transcontinental** (TSX:TCL.A) stock can see positive price movement over the coming quarters.

Since 2014, the company has been transitioning from a printing business to one that now generates more than 50% of revenues from packaging.

The investment-grade company is gushing with cash! In the trailing 12 months (TTM), it generated $306 million of free cash flow, nearly 32% higher than the amount generated in fiscal 2018.

It's been paying a bigger dividend every year for 18 consecutive years, and this streak should continue in 2020. The company only paid out 25% of its TTM free cash flow as dividends. Therefore, it has much buffer to protect its dividend.

At $15.75 per share at writing, Transcontinental offers an above-average yield of 5.6% for investors who are patiently waiting for the stock to revert to its fair valuation.

Currently, analysts have a 12-month price target of $20.44 per share on the stock, which represents 30% near-term upside potential.

Parex Resources

Parex Resources (TSX:PXT) is a very well managed oil-weighted producer. Because it operates in Colombia, it enjoys premium Brent oil pricing and realizes industry-leading margins.

In the TTM, its strong free cash flow generation of USD$268 million was 17% higher than the amount generated in fiscal 2018.

It has a stress-free balance sheet with no debt to weigh it down. This is a welcoming sight compared to many oil and gas producers that are laden with scary levels of debt.

Parex may deter investors because it doesn't pay dividends. However, it proves itself with a growing stock price. Since 2010, the stock has been almost a six-bagger with returns of 19.5% per year!

In the last 12 months alone, the stock has appreciated 45%, thanks primarily to the market correction at the end of 2019.

Parex balances well between investing in the business and returning capital to investors. It's maintaining the same 2019 capital spending plan of US$225 million for 2020, but it expects to boost average 2020 production by 5% to 55,375 barrels of oil equivalent per day.

Higher oil prices, a free cash flow yield of about 12%, and a plan to buy back up to 10% of its public float are positive drivers that can push Parex stock higher over time.

Investor takeaway

Transcontinental is a great value stock to consider as it offers a juicy yield of 5.6% for the wait.

Parex Resources has appreciated meaningfully by 35% since its November low. Interested investors can buy some shares today and look to add to their position on dips of 15-30% to increase their long-term returns.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:PXT (PAREX RESOURCES INC)
2. TSX:TCL.A (Transcontinental Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks

3. Investing

Date
2025/06/30
Date Created
2020/01/07
Author
kayng