2 Canadian Stocks That Are Absurdly Cheap Right Now

Description

While broader indexes are trading at record highs, some stocks are trading at an attractive valuation and are undervalued. Here we look at two such stocks that have underperformed the Canadian markets in the past year but are poised to move higher in 2020.

Fiera Capital Corp.

Fiera Capital (TSX:FSZ) is a Canada-based investment management company that provides investment advisory and related services to institutional investors, retail investors and private wealth clients. The company generates close to 50% of revenue from Canada, over 35% of sales from the United States and rest from European and other international markets.

In the last year, Fiera Corp has returned just under 4%. It has severely underperformed the **S&P 500**, which is up close to 26% in the last 12 months. Fiera shares are currently trading at $12.88 at writing.

The stock has a forward price to earnings multiple of 8.4. Comparatively, analysts expect company sales to rise by 18.9% to $642.13 million in 2019 and by 11.7% to $717.48 million in 2020.

Its earnings are also forecast by analysts to grow by 23.4% in 2019, 13.6% in 2020 and by an annual rate of 14.8% in the next five years. We can see that the stock is undervalued, especially after accounting for a juicy dividend yield of 6.7%.

Fiera has a market cap to sales ratio of 2 and an enterprise value to sales ratio of 2.8. It has a price to book ratio of 2.3 and an estimated 5-year PEG ratio of 0.64, which is really cheap given the double-digit growth rates for earnings and sales.

Investors may be worried about the stock's performance should a recession happen, which would result in liquidation in client holdings and a broader market sell-off.

That said, we also know that it's impossible to time the markets, so investors can instead take advantage of a growth stock with significant upside potential.

Enerplus Corp.

Enerplus Corp. (TSX:ERF)(NYSE:ERF) is a Canada-based oil and natural gas company. It has oil and natural gas property interests in the United States in North Dakota, Montana, and Pennsylvania as well as in the Western Canadian provinces of Alberta, Saskatchewan, and British Colombia.

Enerplus generates close to 85% of sales from the United States and the rest from Canada. Enerplus has burnt significant wealth over the years. The stock has fallen from $17 in August 2018 to its current price of $7.55, a decline of 56%.

Several Canadian energy companies have experienced a slowdown in sales and profitability due to lower oil prices, a sluggish lending environment and project delays. Enerplus earnings in the next five years have declined by an annual rate of 10%, dragging stock returns lower.

However, as per analyst estimates, Enerplus earnings are expected to rise by an annual rate of 37% in the next five years, despite a 34% decline in 2019. This that means company earnings might rise by an annual rate of 65% between 2020 and 2023.

The stock has a forward price to earnings multiple of 6.8 and a market cap to sales ratio of 1.2 and an enterprise value to sales ratio of 1.53. It has a price to book ratio of 0.96 and an estimated five-year PEG ratio of just 0.23, making it an ideal buy for contrarian investors.

Enerplus is optimistic about generating positive free cash flow should oil prices breach the USD $50 mark. With a forward dividend yield of 1.42% and a payout ratio of a measly 7%, investors can expect the company to increase dividend payments once oil prices reach higher.

Analysts tracking Fiera Corp have an average target price of $13.53, which is 5% higher than the current trading price. Enerplus is trading at a discount of 90% compared to analyst average price target estimates of $14.37.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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Author
araghunath