TFSA Investors: 2 Dividend Studs to Buy in February

Description

Many investors go down the pathway of speculation in the pursuit of riches. Everybody wants to make a quick buck by flipping stocks, but not even Warren Buffett, the greatest investor and teacher of our generation, knows how to do this.

What he has that almost everyone else on Wall Street lacks is patience, both in terms of holding period and the time that's taken to put in the homework prior to pulling the trigger on a stock.

So, instead of following eccentric traders on Twitter in and out of stocks at a whim, consider following in the footsteps of Buffett instead. He invests in boring but wonderful businesses that trade at discounts to their intrinsic value.

If you look at the biggest winners of the past decade, most of the names on the list are old-fashioned businesses that are pretty easy for the average investor to understand.

It's this simple approach that can lead you to the greatest riches while steering you clear of pitfalls that come with chasing returns on highly speculative "sexy" plays.

Consider two absurdly boring businesses that Warren Buffett may have considered had he been born a Canadian:

Leon's Furniture

It doesn't get more boring than furniture. On this side of the border, we have **Leon's Furniture** (TSX:LNF), a Canadian furniture retailer that's not only one of the cheapest stocks out there, but is also poised to benefit from a powerful secular trend that will span the next decade and beyond.

As you may know, millennials have delayed many significant milestones of adulthood and that not only includes home ownership, but also the purchase of big-ticket furnishings.

As the pocketbook of the millennial cohort continues to swell, they will eventually have the financial capability to look beyond cheap disposable furniture to spruce up their new homes.

While the business of long-lived discretionary items is subject to excessive cyclical downturns, a considerable amount of risk has been taken out of the equation with Leon's given its dirt-cheap multiple.

The stock trades at 12.4 times next year's expected earnings and just 0.6 times sales, with a 0.12 beta and a bountiful 3.5% dividend yield. If you're looking for a dirt-cheap value play and are willing to hold for at least five years, Leon's could be a stellar pickup in February.

Sleep Country Canada

Sleep Country Canada (TSX:ZZZ) is another snooze-worthy company that looks severely undervalued. Shares of the name have gone to sleep, as I urged investors to ditch the stock over a slew of headwinds that I thought would get the better of the company.

Rising competitive pressures from mattress-in-a-box retailers like Casper, Leesa, Douglas, and Tuft & Needle weighed on the traditional retailer.

Combine the disruption with the sluggish state of the Canadian economy and it shouldn't be a surprise to see the consumer discretionary stock down double digits over a relatively short period.

While it has been a rather uneventful 2019 for Sleep Country, I am enticed by the valuation (shares currently trade at 12.2 times next year's expected earnings), which makes a lot more sense than the 20-plus times earnings multiple that the stock sported back in 2018.

As Canada's economy looks to recover over the next three years, Sleep Country is one of the stocks that could come flying out of the gate.

With a 3.9% yield, I guess you could say Sleep Country is a great sleeper pick for dividend investors!

CATEGORY

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TICKERS GLOBAL

1. TSX:LNF (Leon's Furniture Limited)
2. TSX:ZZZ (Sleep Country Canada)

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