3 Stocks Under $50 That Can Deliver Both Growth and Dividends

Description

There are two ways to define cheap stocks. It could either mean stocks trading below intrinsic value or stocks trading at smaller dollar amounts. The three stocks on this list meet both criteria. In fact, they also meet the benchmark for long-term dividend growth. Here's a closer look.

Cheap stock #1

TransAlta Renewables Inc. (TSX:RNW) is currently trading at just $14.3 and offers a 6.6% dividend yield. The stock has been caught up in the broad real estate and energy sell-off. Investors seem to have punished it alongside landlords and oil drillers.

However, Transalta is neither of those. The company provides hydroelectricity and has one of the most robust balance sheets on the market. Long-term debt is barely worth a third of shareholder equity.

Backed by one of Canada's largest utilities, the company is on solid footing to sustain the dividend. Meanwhile, the decades-long transition from fossil fuels to clean energy sources could be worth trillions of dollars, giving this cheap stock plenty of room for growth.

The ongoing slump seems like a great opportunity to add this dividend growth stock to your watch list.

Cheap stock #2

Alimentation Couche-Tard Inc. (TSX:ATD.B)(TSX:ATD.A) is another relatively cheap stock with attractive prospects. This cheap stock is currently trading at $43 and offers a tiny dividend yield of just 0.65%. However, I expect the price and yield to appreciate over time.

The convenience store chain is currently in growth mode. Investments over the years have expanded the network across the world. Couche-Tard stores are now open across the United States, Mexico, Norway, Sweden, Denmark, Estonia, Latvia, Lithuania, Poland, Russia, Japan, China, and Indonesia — and almost entered Australia this year.

Expansion has helped Couche-Tard silently become one of the best-performing stocks in Canada. Since 2010, the stock has delivered a 1,350% return.

This cheap stock is currently trading at 28 times forward earnings and 32 times free cash flow per share. The dividend payout ratio is absurdly low at 10%, which means there's plenty of room for dividend growth over time. For now, growth investors should certainly add this one to their watch list.

Cheap stock 3

Absolute Software (TSX:ABT) is my final cheap stock pick for the month. It's always surprised me how overlooked the cybersecurity sector is. With more of our work and lives moving online, protection is absolutely crucial.

Absolute Software is at the forefront of the work-from-home movement. Its platform helps enterprise clients secure employee devices such as laptops and cell phones. In other words, it allows companies to maintain privacy despite a remote and distributed workforce.

This cheap stock currently trades at $13.3 and delivers a 2.4% dividend yield. The company has little debt and enough cash ($38.9 million) to sustain the dividend for three years — assuming they make no income. In fact, Absolute generated $20 million in free cash flow last year.

The stock is already up 85.5% since mid-March. Considering the sheer size of the cybersecurity industry, there's plenty of room for growth ahead.

Foolish Takeaway

Cheap stocks such as TransAlta Renewables Inc could deliver both income and growth over the next decade.

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1. TSX:ABST (Absolute Software)
2. TSX:ATD (Alimentation Couche-Tard Inc.)
3. TSX:RNW (TransAlta Renewables)

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