BUY ALERT: 3 Cheap Stocks to Add Now

Description

The **S&P/TSX Composite Index** climbed 61 points on August 10. A shaky economy has worried many investors in the summer, but so far, the market has held strong. Today, I want to look at three dirt-cheap stocks that are on my radar in August. Let's dive in.

Restaurants: Why these cheap stocks can rebound this year

Back in March, restaurant stocks were being hit hard in the face of the COVID-19 pandemic. Few industries have been challenged like restaurants have in this crisis. Fortunately, as Canada reopens, restaurants have been able to open their doors, albeit in a limited capacity.

Recipe Unlimited (TSX:RECP) is a Vaughan-based company that operates restaurant chains like East Side Mario's, Harvey's, New York Fries, Milestones, and others. Casual dining establishments have been some of the hardest hit in this crisis. Shares of Recipe Unlimited have dropped 39% in 2020 as of close on August 10. Recipe Unlimited looks like a cheap stock at the time of this writing.

The company released its second-quarter 2020 results on August 6. In March, Recipe drew $300 million on its revolving credit facility to provide liquidity during this crisis. System sales fell 55.3% year over year to $481.5 million in Q2 2020. Meanwhile, gross revenues dropped 55% to $140.4 million. In the near term, management will focus on maximizing profit from fewer diners, streamlining its menu, and closing underperforming restaurants.

Investors should remember that this is a shaky industry right now. For those that wish to avoid this space, below are two more stocks that I like this month.

I'm still bullish on Sleep Country in August

Sleep Country Canada (TSX:ZZZ) engages in retailing mattresses and bedding-related products in Canada. Last year, I'd suggested that investors should jump on Sleep Country, as it hovered around a 52-week low. Shares of Sleep Country have climbed 47% over the past three months, but the stock has been mostly flat in 2020. However, it still looks like a cheap stock in August.

In the second quarter of 2020, Sleep Country saw revenues fall 31% year over year to $51.7 million. Sleep Country's e-commerce performance has been bolstered during these unusual times. This will provide added strength, as it reopens its brick-and-mortar locations going forward.

The stock last possessed a price-to-earnings ratio of 18. This puts Sleep Country in solid value territory. Sleep Country looks like a cheap stock right now, but investors after income will have to wait, as its dividend is still suspended.

One more dirt-cheap stock to buy today

Morneau Shepell (TSX:MSI) operates as a human resources consulting and technology company. Its stock has dropped 9.4% in 2020 as of close on August 10. The company released its second-quarter 2020 results on August 6.

In Q2 2020, the company saw revenue increase 15.8% year over year to $246.2 million. Meanwhile, adjusted EBITDA climbed 13.5% to $52.1 million. The company has delivered phenomenal earnings growth in recent years. Moreover, the human resources technology space is positioned for big growth in the years ahead. The stock last paid out a monthly dividend of $0.065 per share, which represents a 2.6% yield.

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1. Dividend Stocks
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2. TSX:ZZZ (Sleep Country Canada)

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