2 Boring Value Stocks That Could Make You a Small Fortune in 10 Years

Description

In this kind of market environment, where the tech-heavy **NASDAQ** is leading the downward charge on any given day, boring stocks are beautiful. It's not just because low-tech value stalwarts are poised to suffer dampened downside relative to the growthiest of first-half-2020 tech winners, but because many of them are likely trading at attractive long-term entry points, making them must-buys for long-term investors looking to build wealth for the next 10, 20, or even 30 years.

As the September sell-off picks up traction, many such first-half-2020 losers that have been feeling the full impact of COVID-19 could be ready to make up for lost time, as value makes a comeback, potentially at the expense of the frothiest pandemic-resilient growth stocks.

Without further ado, consider the following two boring stocks that I believe are undervalued at this uncertain market crossroads. Disclosure: I own shares of both companies and plan to add to each of my stakes over the next year and beyond.

Alimentation Couche-Tard

Alimentation Couche-Tard (TSX:ATD.B) is the type of boring stock I imagine that Warren Buffett would probably have invested in if he were Canadian. Couche-Tard, the firm behind convenience stores (like Mac's, Circle K, and, of course, Couche Tard in the province of Quebec) and gas stations, has continued to grow its top and bottom line at an above-average rate into maturity thanks in part to wise M&A moves.

Management, led by the brilliant CEO Brian Hannasch, knows that acquisitions don't necessarily create value unless the price is right. Couche's managers are also excellent integration risk mitigators. They tend to acquire only when it makes sense, even if it means not appeasing near-term investors who desperately want the company to pull the trigger on a deal.

In general, acquisition announcements tend to trigger a pullback in shares of the acquirer because of the premium acquisition price paid relative to that of the market value. In the case of Couche, though, the stock tends to surge following an acquisition because of the firm's track record of creating long-term value from every deal it strikes.

Today, Couche has the financial flexibility to pull the trigger on an elephant. It'll wait patiently for opportunities to arise amid this pandemic, and once it finally does, Couche will probably bounce in a big way. Shares trade 14.7 times trailing earnings, which is too ridiculously low given the low-tech recession- and pandemic-resilient growth you'll get from the name.

My financial models show that Couche-Tard shares are worth $58, implying nearly 30% upside from today's levels.

Shaw Communications

Shaw Communications (TSX:SJR.B)(NYSE:SJR) is another overlooked, underrated, and undervalued stock that looks to be trading at a considerable discount to its intrinsic value range amid this pandemic. Shaw, a low-cost telecom with a compelling value proposition, is about as boring as stocks get. What entices me about the firm is the likelihood that Mr. Market may be heavily discounting the firm's ability to take share from the Big Three incumbents as we head deeper into this coronavirus recession.

The company recently launched Shaw Mobile, which is aimed at its internet subscribers. The internet/mobile bundle offers an unprecedented magnitude of savings to Canadians within select markets in western Canada. Given the recessionary environment we currently find ourselves in, Canadians are likely to tighten the belt, and there's no easier way to do it than to switch to Shaw's offering, which has a tremendous value proposition.

Over the coming year, I see tremendous subscriber growth. And while operating margins could take a hit, I think the stock is in a spot to vastly outperform its bigger brothers in the Big Three, as I believe Shaw may have struck the perfect blend of value and quality for the coming economic downturn.

I'd collect the bountiful 4.9%-yielding dividend and wait for Shaw to take it to its bigger brothers over the next year and beyond. My models show Shaw is worth $30, which implies 27% in total returns from today's levels.

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Date
2025/08/22
Date Created
2020/09/14
Author
joefrenette