2 Undervalued Stocks to Purchase This Instant

Description

Apart from certain sectors and specific companies, the TSX has had a pretty good run in the last decade. And a strong stock market meant that most companies stayed fairly or overpriced for a while, and value investors didn't have a lot of options to pick from. But that changed in March when effectively almost all the companies were trading at a discount.

Since March, some companies have recovered fully, while they are still cheap. This simultaneously offers a good opportunity and a difficult choice. It's understandable to think that maybe buying a stock that couldn't sufficiently recover in almost five months isn't worth investing in.

This is why I've chosen two undervalued Dividend Aristocrats with decent histories and strong balance sheets. They may not have the charm and attraction of a powerful growth stock, but they have the fundamentals of being additions to most investment portfolios. The two stocks are **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) and **Canadian Apartment Properties REIT** (TSX:CAR.UN).

A banking aristocrat

Most financial stocks, even the Big Five, are having trouble recovering in this tormented economy, but BNS is one of the few that is still trading at a price that's 25% down from its pre-pandemic valuation. The company has only grown 18.5% since the March crash. Its price-to-earnings ratio is at 9.9 times and price-to-book ratio is exactly one.

Thanks to this undervalued price, the stock offers a very juicy yield of 6.5%, which is the only reason to consider this stock. While it is an aristocrat, the dividend-growth rate isn't powerful enough. And for the past five years, its capital growth potential has also waned considerably.

But it's a solid pick as a dividend stock. Its payout ratio is safe enough at 64, and the bank might show some capital appreciation in a decade or so. As one of the Big Five, it operates in an almost no-competition environment. Its recent quarter's results have been decent enough, and the net income only dropped a tiny bit compared to last year.

A real estate aristocrat

Canadian apartment properties REIT is trading at $43.3 per share. That's almost 30% from its pre-pandemic peak. With a price to earnings of 7.5 and a price to book of just 0.9 times, the stock looks adequately undervalued. The good news is that its pedigree as an aristocrat isn't the only reason to buy that stock. It was a pretty decent growth stock. In the three years before the crash, the stock grew by almost 90%.

Despite its valuation, the yield isn't too high (3.16%), but the stock can make up for the modest yield with its capital growth prospects. Its payout ratio is very stable, so there is little to no fear of your dividends being slashed in the future. According to the second-quarter results, the company increased its NOI substantially compared to last year. The occupancy rate dropped by just 0.3%.

Foolish takeaway

A lot of investors are waiting for a second crash to buy amazing stocks at discounted prices. And while the signs are there, the market might just avoid another crash and continue at its slow and steady growth pace. If that happens, you might not even have the decent investment opportunities you have right now. So, if you are planning to buy undervalued stocks, BNS and CAR deserve your consideration.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)
3. TSX:CAR.UN (Canadian Apartment Properties Real Estate Investment Trust)

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Date
2025/07/06
Date Created
2020/09/18
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