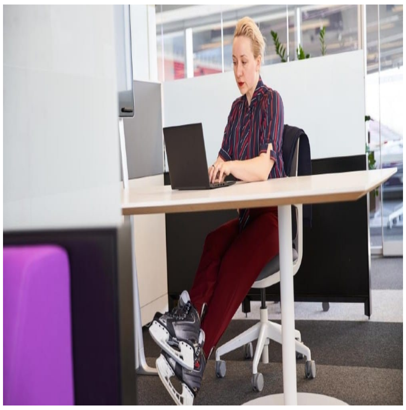

Riches Are in Niches: The Top 3 Stocks That Are Overlooked or Quirky

Description

The top stocks for 2020 are all high-growth tech stocks or lucrative dividend stocks. Banks, online shops, and convenience stores are all the rage. However, value investors need to take a contrarian approach to find top stocks that are underpriced and overlooked.

With that in mind, here are the top three quirky or neglected companies that deserve your attention.

Business royalties

Diversified Royalty (TSX:DIV) is a quirky little holding company most investors have never heard of. The company owns and manages a portfolio of small- and medium-sized business brands that include Sutton, Oxford Learning, Mr. Lube, and Mr. Mikes. The company licenses these brands out to entrepreneurs based on the franchise model.

In other words, it's a basket of business intellectual property. Cash flows from these businesses were booming before the crisis. However, the pandemic has thrown everything into disarray. The company was forced to reduce its dividend by roughly 14.89% in the first quarter.

Despite that cut, the dividend yield is as high as 10.7%. The stock price is also just 12% higher than book value per share. In other words, it's a deep-value contrarian bet on an economic recovery. Investors looking for a bargain should add this to their watch list.

Mobility solutions

Laval-based **Savaria** (TSX:SIS) designs mobility solutions and distributes them across the nation. Think wheelchair lifts for buildings and accessibility ramps for buses. These products are already in high demand, but demand could be much higher, as the nation's demographics shift.

By 2030, the government estimates that roughly 23% of the population will be over the age of 60. This means one in five Canadians could need accessibility products within the next decade.

That growing market is creating immense opportunity for Savaria stock. That growth opportunity was reflected in the stock price between 2008 and 2018, when the stock surged 3,320%.

However, investors seem to have lost interest in the stock in recent years. The stock has lost 25% of its value since 2018. Now, it's trading at a much more reasonable valuation. Savaria offers a 3% dividend yield and trades at 27.7 times earnings. It's the definition of a long-term value stock.

Online gaming and gambling

If you haven't been paying attention to online sports betting and the gambling industry in America, it's the perfect time to get involved. Several states legalized sports betting in the United States last year, which set off a frenzy for stocks like **Penn National Gaming**.

The company's partnership with Barstool Sports and David Portnoy indicates where this trend is heading. Sports media platforms could be on the verge of a windfall. Canadian platform **Score Media and Gaming** (TSX:SCR) seems to have been overlooked, despite the frenzy.

The stock is up only 2.6% year to date. At the moment, it's worth $300 million, compared to Penn's US$9.6 billion. In other words, it's a reasonably priced growth stock. Those are incredibly rare in this market.

My Fool colleague Aditya Raghunath believes the stock is poised for a turnaround, and I agree.

CATEGORY

1. Investing

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1. TSX:DIV (Diversified Royalty Corp.)
2. TSX:SIS (Savaria Corporation)

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