2 TSX Stocks That Just Became Too Cheap to Ignore

Description

The stock market is often seen as one entity, and it is, for the most part. When it crashes, almost every company is affected. When the recession hits, most businesses suffer the consequences. But as you can see from the recovery from the 2020 crash, not every sector, industry, and individual companies recover at the same pace. Even within an industry, there might be a whole spectrum of recovery.

Some companies take the lead in recovery, while others lag behind. There can be several reasons behind it, but it's not necessarily a bad thing for investors. It offers you a chance to buy companies that are still undervalued and relatively discounted.

A discounted REIT

BTB REIT (TSX:BTB.UN) owns 64 commercial properties in Quebec and Ontario. The portfolio consists of office, industrial, and retail properties (i.e., three sections that didn't perform very well during the pandemic). That's probably the reason why the company is having a hard time recovering to its pre-pandemic share price, and it's still available at a 28% discount.

The price-to-earnings ratio is at 6.1, and the price-to-book ratio is just 0.7 times, so the stock is not only discounted; it's undervalued as well. Ironically, the REIT revenues haven't suffered that much, and the three quarters saw a revenue dip of $2-$3 million at most, compared to 2019's last quarter.

One reason investors might have become disenchanted with this stock is that it slashed its dividends in May 2020 by about 28.5%. But even at the reduced payout (and a stable payout ratio), the REIT currently offers a mouthwatering 7.69% yield, which might not be slashed anytime soon. This heavily discounted dividend stock should be on your radar.

A discounted gold stock

Now that the stock market has recovered as a whole and the economy is still recovering, gold stocks are not attracting investors like they were last year. That's probably the reason behind **B2Gold's** (
TSX:BTO

)(NYSE:BTG) 41% decline since its peak in August 2020. But that gives you the option to buy this discounted stock when it's trading at a price to earnings of just 7.6 and offers a decent yield of 3.8%.

Even though such a yield is uncommon for a gold stock, it's not the primary attraction of this discounted golden stock. The stock has risen at a robust pace in the last five years. Even now, when it's far below its recent peak, the stock offers a five-year CAGR of 32%. If it has reached its lowest point and will resume its regular, pre-pandemic growth pace, this little gold stock can add a lot of growth to your portfolio.

Foolish takeaway

When looking for cheap stock, don't forget Buffett's advice: "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price." Undervaluation and discount shouldn't be the only merits you should look for in a value investment, especially if you are planning to hold that asset for a very long time.

CATEGORY

1. Dividend Stocks
2. Investing
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2. TSX:BTB.UN (BTB Real Estate Investment Trust)
3. TSX:BTO (B2Gold Corp.)

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