



TSX Today: Here Are the Value Stocks

Description

All-time-high stock markets, like the **TSX** today, could be scary for market-wide [index investors](#), but not for value investors who seek to invest stocks at a discount below their intrinsic values.

How much of a discount should you require of a stock before buying? The bigger the discount, the bigger the margin of safety you get.

Traditionally, value investors seek to invest in stocks at a discount of at least 30%. Large-cap stocks like **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) and **Fortis** seldom go on sale, because many investors follow them. Whenever they trade at discounts of not even close to 30%, the shares are quickly scooped up by value investors.

Here's an example. Income stock BCE has strong support at a 6.4% yield. Based on its annualized payout of \$3.50 per share, a 6.4% yield implies a price target of about \$54.69, which is only approximately a discount of 9% from the current 12-month analyst consensus price target.

A 9% discount is hardly enough of a margin of safety if you ask true value investors. However, some folks would argue that BCE's stable business that generates consistent earnings and dividends through economic cycles should be worth a premium valuation.

The story for Fortis stock is similar. Value investors would be lucky to find it at a discount of 15%. Currently, at \$54.54 per share, it sits at a 7% discount to the analyst consensus target.

In an all-time-high market, instead of large-cap stocks, you'll more easily find hidden gem value stocks in small-caps. Here are a couple of smaller-cap stocks that are trading at discounts of more than 30%!

AcuityAds Holdings

AcuityAds Holdings (TSX:AT) offers a one-stop solution for omnichannel digital advertising, boasting the best-of-category return on advertising spend. Its solution offers planning, buying, and real-time intelligence in one place with proprietary AI that brings programmatic capabilities.

At \$14.35 per share, AcuityAds has a market cap of about \$767 million. According to the consensus price target of \$27.08 across nine analysts, the growth stock trades at a whopping discount of 47%!

However, [AcuityAds](#) doesn't have a track record of consistent profitability yet. Additionally, there's intense competition in the programmatic advertising space. It may be difficult for even those with in-depth knowledge in the industry to pick out the future winners in the space.

Therefore, analyst price targets on the stock can be tuned up or down drastically. Sizing your position in the stock accordingly and buying at a fat discount (such as now) is a must!

Converge Technology Solutions

It's all too common to see **Converge Technology Solutions** (TSX:CTS) stock falling or rising 7% in a day. I'll have you know that the long-term average market returns are about 7%!

Just yesterday, the small-cap stock climbed +7% from the news that it's partnering with Lucira Health to provide an FDA-approved, over-the-counter COVID-19 test kit. Converge's role in this matter is to allow people to receive test result confirmation through their smartphones.

The tech company's recent market cap is \$878 million. As soon as its market cap reaches \$1 billion, it will fall into the radar of many funds. In the meantime, early investors have the opportunity to load up on the cheap shares at an incredible discount of 39% from the consensus target of \$9.31, which represents near-term upside potential of 65%!

The Foolish takeaway

In any stock market, value can be found. It's a matter of finding small or big discounts. Typically, you'll find more small-cap value opportunities in any stock market. If you do invest in small caps, remember to size your positions accordingly!

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:ILLM (AcuityAds)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
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