3 Dirt-Cheap Value Stocks to Hold Forever

Description

Value stocks have been doing surprisingly well in 2020. So far this year, we've seen banks and energy stocks outperform the TSX, with oil stocks in particular posting very strong gains. At the same time, many stocks in these industries remain cheap. We've got energy stocks trading at barely above book value, and bank stocks with earnings multiples in the low teens. In this article, I'll explore three value stocks that are absolute bargains right now in July 2021 and may be worth holding forever.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a Canadian energy stock that trades at just 16.4 times GAAP earnings. The stock also has a monster 6.6% dividend yield and a (cash flow) payout ratio of 72%. The payout ratio based on earnings is technically over 100%, but cash flow is a better reflection of dividend-paying ability than earnings are, because cash flow doesn't factor in non-cash gains/losses.

Enbridge has a lot of things going for it in 2021. First, the price of oil is rising on higher demand, meaning there'll be more demand for Enbridge's transportation services. Second, Enbridge's infrastructure projects are going ahead, with recent legal wins on the Line III expansion. Third, the political threat in Michigan appears to be going nowhere. Overall, it's a good time for Enbridge, and that should be reflected in its stock price in the future.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is a Canadian energy stock that trades for just 1.29 times book value. At certain times last year, you could actually buy the stock for less than the value of its assets, net of debt. Those days are over now. Massive bullishness in oil prices has resulted in a huge rally in SU shares, which are up 37% for the year. So now, SU is more expensive relative to book value than it was before — but it's still relatively cheap.

Suncor's first quarter was pretty good, with $2.1 billion in funds from operations, $746 million in operating income, and $821 million in net income. As the price of oil goes higher, those results will only continue to improve. So, this is one COVID recovery play that could pay handsome dividends well into the future.

TD Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is a Canadian bank stock that trades for 13.6 times earnings and 1.8 times book value. These are both pretty low multiples — even for a bank. American banks are trading at multiples near 20, while Canadian banks like TD remain in the low teens. To an extent, that's rational, because the Canadian financial service industry is much more regulated than America's, and most Canadian banks have limited geographic diversification.

TD, however, has a *huge* U.S. retail business that has powered significant growth over the past decade. It's also a 10% owner of **Charles Schwab**, the largest broker in the United States. These two businesses give TD growth potential similar to the U.S. banks that it inexplicably is far cheaper than, which points to the potential for multiple expansion in the future. Overall, it's a dirt-cheap dividend play that you can't go wrong with.

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