3 Affordable and Promising Stocks to Buy Right Now

Description

Not every investor has access to a decent amount of liquidity during market crashes when a lot of promising stocks are trading at a discount. And when they have access to liquidity, they can't wait around for a crash or a correction to take full advantage of it, primarily due to the time cost of waiting around.

Another approach is to look for affordable stocks on the market right now. Not all affordable or undervalued stocks might be worth buying, but there are some that can be transformative for your portfolio, given enough time. Three such stocks are **Fairfax Financial Holdings** (TSX:FFH), **iA Financial** (TSX:IAG), and **ONEX** (TSX:ONEX).

A financial holding company

Fairfax has been around for about seven decades. It's a property and casualty insurance and reinsurance company with a strong investment management wing. It started its corporate journey with a different name, but it has been Fairfax since 1985. From a valuation perspective, the company is a sweet bargain at a price-to-earnings ratio of 5.6 and a price-to-book ratio of 0.9 times.

The balance sheet of the company is strong, and even though its revenues took a serious dip in 2020, they have recovered quite a bit. Compared to the first quarter 2020 numbers, the company almost double its first-quarter 2021 revenues (95%) growth. The stock hasn't been much of a grower in the last five years, but if we consider its two-decade history, it has modest, long-term growth potential.

An insurance and wealth management group

iAG Financial markets itself as one of the largest insurance and wealth management groups in Canada, and even though its asset base ($201 billion) and four million clients endorse that statement, the market capitalization of $7.25 billion doesn't. But it's a stable company with an impressive local and international presence, and it has been eerily consistent in creating value for its investors.

The company is currently trading at a 10% discount to its pre-crash valuation at a price-to-earnings ratio of 9.7 and a price-to-book ratio of 1.2. It's not undervalued but still at a reasonable price point. The 10-year CAGR of 8.5% is not very impressive, but if you add in the 2.8% yield to the equation, iAG looks like a good value purchase.

An investment management company

Sticking to the spirit of the list is ONEX, a Toronto-based investment management company with a market capitalization of $8.1 billion. The ONEX "platform" has several underlying business segments that cater to different clienteles and different markets. It has a total of $45 billion of assets under management, and only about 15.5% of it is ONEX's own investing capital; the rest is the client capital.

ONEX was an impressive growth stock between 2009 and 2017, and it grew about 600% (very consistently) in this period. It seems to have lost its growth "edge" in the last three or four years, but if you consider its highly discounted valuation, its last 12-month growth, and the way the general economy is recovering, ONEX might be gaining momentum for another impressive growth bout.

Foolish takeaway

Like discounted items in a supermarket, discounted stocks might look like a great deal, but both are only good for you if they are useful. If you buy something when it's 70% off, don't use it, and it goes in the trash can, the "good deal" didn't get you anything. Similarly, make sure the discounted stock you are buying has more to offer than an attractive price tag.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FFH (Fairfax Financial Holdings Limited)
2. TSX:IAG (iA Financial Corporation Inc.)
3. TSX:ONEX (Onex Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
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