



## 2 Cheap Canadian Stocks for Growth

### Description

Value stock investing — the art of investing in stocks at valuations substantially below their intrinsic value — is an excellent strategy to grow your portfolio. By buying stocks at a big margin of safety, you're simultaneously protecting your hard-earned capital and boosting your overall long-term returns. If the undervalued stocks you pick pay dividends as well, you'll also boost your income generation.

Here are a couple of value stocks that can deliver incredible returns. However, investors need to be patient, as it could take a few years for these investments to play out.

### A turnaround growth stock

**Real Matters** ([TSX:REAL](#)) stock has been in correction mode pretty much since mid-2020. However, the real estate services stock overextended itself by rising to as high as \$32 per share at that time. The tech stock overshot again, but this time, it's to buyers' advantage.

The company just reported its fiscal third-quarter (Q3) financial results midweek, which triggered another 5% decline yesterday. For the quarter, its revenue increased 10% year over year (YOY), thanks to the strength of its U.S. Appraisal and Canadian operations that was partially offset by its U.S. Title segment. Notably, its adjusted EBITDA, a cash flow proxy, fell 44% YOY — a drag again from its U.S. Title segment.

The year-to-date results show a more normalized bigger picture. Revenue rose 14% across all segments to \$378.5 million. Adjusted EBITDA declined 4% to \$48.2 million.

The stock's valuation is enticing with the potential to appreciate more than 50% from current levels of below \$13 per share. The stock appears to be at a support level, which is an opportune time to get in for investors who are bullish on the U.S. housing market.

### A value stock with growth potential

**Manulife** ([TSX:MFC](#))([NYSE:MFC](#)) trades at an absurdly low valuation, given its resilient performance through the pandemic last year.

The international life and health insurance company compounded its core earnings per share by almost 15% per year from 2016 to 2019. This exceeded management's target of a 10-12% growth rate.

Then the pandemic hit in 2020, resulting in the core earnings falling 7%. However, that would still be a respectable growth rate of almost 9% from 2016 to 2020.

Currently, the value stock trades at a cheap valuation of about eight times its blended price-to-earnings ratio (P/E) at about \$24 per share. Assuming a conservative earnings-per-share growth rate of 7%, a P/E of 12 is a reasonable target. This implies total-return prospects of 18-24% per year over the next three to five years.

Manulife pays a quarterly dividend that equates to an annual payout of \$1.12 per share currently. The 2021 payout ratio is estimated to be highly conservative at about 35%. So, its dividend is very well protected.

The recent pullback from the \$27 to \$24-per-share level is a good time to consider buying some shares. The dividend stock provides an initial yield of 4.6%, which helps secure a stable return. A \$5,000 investment in [MFC stock](#) will provide annual income of about \$230 to start.

## The Foolish investor takeaway

Real Matters could be an interesting turnaround [growth investment](#), while Manulife stock is a value stock that can deliver healthy total returns from price appreciation and dividends.

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2. Tech Stocks

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