3 Extremely Cheap TSX Stocks to Buy

Description

As a value investor, you should understand that a bargain price doesn't equal a great valuation. Even if a stock is fundamentally undervalued, it is not worth buying if its growth or dividend potential matches its low valuation. Good undervalued stocks are the ones that offer growth or dividend potential equivalent to more expensive companies at a lower price.

That said, the search for undervalued stocks starts from a price point, and if you are looking for some extremely cheap TSX stocks, there are three that should be on your radar.

A mining company

Dundee Precious Metals (TSX:DPM) is currently trading at a 28.8% discount from its 2020 high. The price-to-earnings ratio is 5.9, and the price-to-book ratio is 1.3, making it both discounted and undervalued. The company is about halfway down from its pre-recession glory days, but overall, it's a solid bet. It also offers a modest yield of 1.5%.

The company has minimal debt and a decent amount of cash. The revenues are growing, and the balance sheet is quite strong. It currently has mines in two countries (Namibia and Bulgaria) and is exploring in another country. Thanks to its reliance on precious metals, the company is likely to spike again once the market becomes weak and investors flock to safe-haven assets like gold.

A lumber company

Lumber companies like **Western Forest Products** (TSX:WEF) saw a significant spike and experienced almost unprecedented growth momentum after the 2020 crash. WEF grew almost 300% from its crash valuation and its peak in 2021. It has come down a long way since (21%) and is currently trading at a price-to-earnings ratio of 4.1 and a price-to-book ratio of 1.1.

The company also offers dividends, and the current yield is 2%, but it's expected to grow higher as the stock slips further down. The company develops and sells high-quality, sustainable products for a wide variety of construction solutions (exterior, interior, structural, etc.). The company is quite focused on improving its ESG profile as well.

A REIT

If you are looking for a more reliable growth stock at a low price, **Summit Industrial REIT** (TSX:SMU.UN) is one option worth considering. The REIT is currently trading at a price-to-earnings ratio of 3.9 and a price-to-book ratio of 1.4 times, despite the fact that it grew by almost 170% since the 2020 crash, and its growth momentum has barely slowed down since.

The recent growth bout, coupled with its robust historical growth, has pumped the 10-year CAGR of 35%. At this rate, the REIT could double your capital in fewer than three years, and since it's undervalued, the stock might keep growing at a steady pace for the next few years. Its yield is also the best of the three at 2.6%.

Foolish takeaway

While all three are quite cheap and affordable, not all offer the same potential. DPM can be considered a seasonal grower and can hedge against the market thanks to its reliance on precious metals. Western Forest might start growing upward at a decent pace after hitting rock bottom during its current slump. Summit, however, offers decent capital-growth potential right away.

CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:DPM (Dundee Precious Metals Inc.)
2. TSX:SMU.UN (Summit Industrial Income REIT)
3. TSX:WEF (Western Forest Products Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. adamothman

2. kduncombe

Category

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

Date
2025/08/12
Date Created
2021/08/28
Author
adamothman