3 Beaten-Down Canadian Stocks to Pounce On

Description

No business is 100% immune to market downturns. It's true that some businesses take only a few weeks to recover from brutal corrections and crashes, while others take months or more, but almost every business, no matter how strong and stable, can fall.

As an investor, you can do well for yourself if you look for companies that are otherwise good investments but are going through a rough patch. Buying them when they are beaten down makes sense from a value-investing perspective as well.

A forest products company

Many businesses related to forest products saw a serious boost post-pandemic, thanks to a rapid rise in the price of timber. **Canfor** (TSX:CFP) was one of them, and the stock grew over 420% between the market crash and its 2021 peak. And the price wasn't the only thing that spiked. The revenue for the second quarter of 2021 was almost double the revenue of the second quarters of 2020 and 2019.

And apart from augmenting the price boost, this rise in income also made the company more attractively valued, and now that the price has fallen from its peak, the stock has become even more undervalued. It's currently trading at a price-to-earnings ratio of 1.9 and price-to-book ratio of just one. It's more than a bargain at this valuation, and if you buy the dip, you can turn in a neat profit by selling it at the next peak.

A high-yield REIT

Nexus REIT (TSX:NXR.UN) is a relatively small Oakville-based REIT that offered a mouthwatering combination of valuation and yield up until a few months ago. And even though it's still quite an attractive buy, if you had bought the company when it was trading in single digits, you would have benefitted from an even better bargain and a higher yield.

Currently, the REIT is trading at a price-to-earnings ratio of 5.6 and price-to-book ratio of 1.4 and offers a juicy 5.1% yield. And though it's not a growth stock per se, the company *has* grown quite a bit since the crash (about 119%), and its upward momentum is not showing any signs of slowing or stopping. So, if you want to lock in the yield before it falls below 5% as the stock rises, now might be a good time to consider buying.

A growth REIT

Growth and undervaluation are a relatively rare combination, which makes **Dream Industrial REIT** (TSX:DIR.UN) an interesting buy. It has been a consistent growth stock since 2016 and has a five-year CAGR of 24.5%. And sweetening the deal even further are its valuation and decent dividend yield.

The company is currently trading at a price-to-earnings ratio of just 8.7 and a price-to-book ratio of 1.3 times. The yield is 4.1%, and it's more than just a cherry on top. If the company can keep its growth pace and sustain its dividends for just a couple of decades, it can offer you better collective returns than many overvalued growth stocks.

Foolish takeaway

The three beaten-down stocks might not stay in the attractive valuation territory for long, and as they grow, the yields will come down. So, if you are determined to add them to your portfolio, do so as soon as possible. If you don't pounce on these undervalued stocks, they might start moving too fast for your liking, and you'll have to look for other investment assets.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CFP (Canfor Corporation)
2. TSX:DIR.UN (Dream Industrial REIT)
3. TSX:NXR.UN (Nexus Real Estate Investment Trust)

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Date
2025/07/20
Date Created
2021/09/18
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