3 Cheap U.S. Stocks That Are Buys

Description

One of the best things retail investors can do is to refrain from buying stocks, unless they're undervalued. This one act can greatly boost their long-term returns. All it takes is patience and an eye for quality stocks.

If you find that the number of undervalued stocks in Canada are dwindling, you're not alone. Stocks have fallen off the value radar, as the stock market has climbed 82% from the pandemic market crash levels.

Fortunately, we have the liberty to invest easily in U.S. stocks through our online brokers. Even though the U.S. stock market is also trading near its all-time high, exploring south of the border greatly expands the group of undervalued stocks you can buy.

Here are a few quality and cheap U.S. stocks to check out.

Visa

On top of our big Canadian banks and insurance stocks, Canadian investors can diversify into **Visa** (NYSE:V) for another financial services sector holding. Visa is widely recognized as the largest payment processor on Earth. It operates in more than 200 countries, providing the convenience of using digital currency instead of cumbersome cash or cheques.

As well, it is among the highest-quality businesses around the globe. The company had its initial public offering in March 2008. It was unfortunate for the company but fortunate for global investors that the stock was hit by the Great Recession, which was triggered by the global financial crisis. In early 2009, investors could have picked up the quality stock in the bear market and held to pocket annualized returns of about 26%, essentially more than an 18-bagger in a solid company. Even if an investor just bought the stock five years ago, in 2016, they would still witness whopping total returns of about 23% per year.

What makes Visa a top-quartile company is its robust earnings. Its adjusted earnings per share (EPS) saw double-digit growth every year since fiscal 2008 except in fiscal 2020 in which it saw a 7% decline because of pandemic impacts. The resumption of a double-digit growth rate combined with the undervalued stock, buyers of Visa stock today should generate outsized returns, with below-average risk, for the long haul.

Lockheed Martin

Our railroad stocks, such as **Canadian National**, have been excellent long-term outperformers. Canadian investors can further diversify the industrial portion of their portfolio by adding **Lockheed Martin** (NYSE:LMT).

Lockheed is an aerospace and defence company with core businesses in aeronautics, missiles and fire control, rotary and mission systems, and space. The stock provides more immediate income than the railroad stocks. Specifically, the undervalued U.S. stock provides a yield of 3%.

Moreover, Lockheed tends to report stable earnings through market cycles. Last year, it reported net sales growth of 9% while its adjusted EPS rose 12%. Not surprisingly, it also tends to increase its dividend over time and has been doing so every year since 2003. For reference, its five-year dividend-growth rate is 9.8%. I expect another dividend increase later this month in the 5-9% range. The low-risk stock provides a total return potential of about 10-15% per year over the next five years.

Global Payments

Like the Canadian railroad stocks, **Global Payments** (NYSE:GPN) is a growth stock in the industrials sector. Its 10-year rate of return is about 22% per year. What's phenomenal is that Global Payments's adjusted EPS has persistently climbed *every year* since 2002 through the global financial crisis and the pandemic last year.

Global Payments is a leading payments technology company that provides payments and software solutions to about 3.5 million, mostly small to midsize merchant locations and over 1,300 financial institutions in more than 100 countries. It should benefit from the continued transition to card, electronic, and digital payments.

Last year, it generated about 84% of its revenues in the Americas and only 13% and 3%, respectively, in Europe and the Asia Pacific region. Therefore, it has room for further penetration in the emerging markets.

Additionally, Global Payments's strategic M&A activities, including Heartland in 2016 and Total System Services in 2019, have quickly ramped up the company's scale. Its trailing 12-month revenue of almost US$8 billion is more than double what it was in 2018. The year-to-date correction of about 24% makes the cheap U.S. stock a good buy.

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2. NYSE:LMT (Lockheed Martin Corporation)
3. NYSE:V (Visa)

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