Value Investors: 3 Under-the-Radar Stocks With Explosive Potential

Description

The sense of adventure that comes with going off the beaten path and familiar stocks to look for hidden gems in the stock exchange is quite alluring. But like prospectors looking for gold, this “adventure” doesn’t yield results as often as many investors think.

Still, several under-the-radar stocks *might* offer truly explosive potential under the right circumstances, and the smart thing to do would be to buy low and wait for these circumstances to trigger the growth you bought those stocks for.

An iron ore company

When we think of metal and mining stocks, gold and silver tend to pop out, and nowadays, Lithium and uranium are getting a lot of limelight as well. But you can’t deny the importance of good old iron and companies like **Labrador Iron Ore Royalty** (TSX:LIF). This royalty company has the smallest stake and royalties in the Iron Ore Company of Canada, while the majority stakeholder is RioTinto, the second-largest metal and mining company in the world.

Even with the layer of royalty and minimal direct exposure to the mining operations, the company’s valuation depends a lot on the demand and supply of iron. This particular company has an edge, because the underlying company is well known for premium quality iron ore and, therefore, is most likely the top pick even when demand is low.

But that only promises sustainability of financials, not explosive growth potential. However, one number associated with the company’s return potential is quite promising, to say the least, and that’s its massive 12.2% yield.

A REIT

A lot of REITs are currently trading at discounted valuations, but few are as attractively valued as **Artis REIT** (TSX:AX.UN). It’s trading at a price-to-earnings multiple of just 4.6, and the price is just slightly discounted from its pre-pandemic valuation (6%). The stock cratered hard during the 2020 crash (over 50%), making the subsequent recovery quite amazing.

This Winnipeg-based REIT has a portfolio of 101 commercial properties, including office, retail, and industrial assets. The portfolio is geographically well diversified and is more U.S.-facing. It can offer decent recovery-fueled growth, but that's about it. However, it augments that aspect of its return potential with a juicy 5% yield.

A real estate company

Another real estate company that has proven its growth potential and is still currently quite undervalued is **Mainstreet Equity** (TSX:MEQ). The company is trading at a price-to-earnings multiple of just under five. It's a mid-cap company with a market capitalization of about $1.1 billion. The company has returned over 260% to its investors in the last five years, and the growth pattern was quite steadily amazing.

Mainstreet Equity has a pretty straightforward business model. The company buys low-rise, multi-family properties (usually less than 100 units), improves operational efficiency, and minimizes maintenance costs.

Foolish takeaway

The three currently undervalued stocks don't get the highlight that superstars in their respective domains (dividend/growth) and industries (real estate and metal and mining) get. But under the right circumstances, they have the potential to offer great returns.

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2. Investing

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2. TSX:LIF (Labrador Iron Ore Royalty Corporation)

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