3 Cheap TSX Stocks to Buy in April 2022

Description

The stock market is not cheap, trading at close to its all-time high. However, specific stocks have corrected, making them cheap **TSX** stocks to consider buying in April. These picks also pay growing dividends.

Stella-Jones stock

Stella-Jones (TSX:SJ) experienced a boost in last year's results due to higher lumber prices in the first half of 2021. Its lumber sales are expected to normalize. Other than selling logs and lumber and residential lumber, it primarily produces pressure-treated wood products for utilities and railways.

Utility poles and railway ties must be replaced periodically to maintain safe operations. Consequently, the dividend stock's earnings have been relatively stable as a basic materials company. And it has maintained a long dividend-growth streak since 2005. Its payout ratio is estimated to be about 23% this year.

Stella-Jones's five-year dividend-growth rate is 12.5%, while its dividend hike was 11.1% last month. It yields 2.2%. The TSX stock trades at about 10.8 times earnings and analysts think it's discounted by 29%.

Savaria stock

This week, Andrew Pyle had the following comments on **Savaria** (TSX:SIS)

> "Savaria is involved with retrofitting the home for mobility purposes — people that cannot get around the house as easily as they could before. It would put products in the house for that. Think about vans that have been outfitted for wheelchairs. It's a thematic, demographic stock — thinking about an aging population that requires more assistance going forward. We think the company is good. It has strong fundamentals. The company is

> well run. So, it wouldn't be a bad choice for a portfolio."
> *Andrew Pyle, investment advisor and portfolio manager at CIBC Wood Gundy*

Savaria has paid an increasing dividend since 2013. Its three-year dividend-growth rate is 9.1%, while its dividend hike was 5% in September. It yields 2.9%. Its payout ratio is estimated to be roughly 36% of cash flow this year. A boost in cash flow from integrating its acquired companies can drive the stock higher. Currently, analysts believe the dividend stock is cheap with a 30% discount.

Magna stock

Auto parts maker **Magna International** (TSX:MG)(NYSE:MGA) stock was a darling coming out of the pandemic, though not so much this year, as it has corrected. However, on further investigation, the cyclical stock is actually reverting to its normal valuation.

Magna management takes care to maintain a low payout ratio in normal times so that at cyclical lows, it can maintain its dividend. So far, the company has increased its dividend for more than a decade. Its five-year dividend-growth rate is 11.5%. It has the potential to continue growing at a rate of north of 10%. However, the cyclical nature of the business will put a cap on its price-to-earnings ratio. That said, as long as it maintains earnings growth in the long run, the stock will also head higher.

Currently, analysts approximate that Magna stock is undervalued by 33%. The stock also offers an initial yield of 2.9%, which is decent.

The Foolish investor takeaway

These TSX stocks are cheap compared to the market. Over the next three to five years, they will probably beat the market returns as a group. However, near-term volatility can place these stocks at even cheaper valuations. Since it's impossible to guess the bottom, if you like their businesses after doing your own research, consider starting a position.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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2. TSX:MG (Magna International Inc.)
3. TSX:SIS (Savaria Corporation)
4. TSX:SJ (Stella-Jones Inc.)

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Date
2025/07/19
Date Created
2022/04/09
Author
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