2 Deep-Value Stocks You Should Buy in a Heartbeat

Description

I don't encourage investors to buy any stocks without researching to make themselves comfortable holding the shares. In contrast, some investors take too long to make an investment decision, or they overthink the situation. When it comes to investing, the bottom line comes down to this: is the business worth owning? How much are you willing to pay for the stock?

Here are a couple of deep-value stocks that have strong growth potential over the next three to five years.

Is Shopify stock about to get even cheaper?

Investors don't want to touch **Shopify** (TSX:SHOP)(NYSE:SHOP) stock now. It has lost two-thirds of its value from its peak, which makes it much cheaper than before. And it's about to get even cheaper, or so it seems. The company announced an upcoming stock split for which existing SHOP stockholders (of record as of June 22) will get nine additional shares for each one share they own. Consequently, the stock price will drop from the $732-per-share level today to about $73 per share. You'll see the new split-adjusted stock price starting June 29.

SHOP stock is already trading at more than a 60% discount from the analyst consensus price target. Does the stock split make its shares even cheaper? It would appear so on the surface. But if you follow the math, the value of the stock stays the same. In other words, the new analyst consensus 12-month price target will be about $196.

Shopify is a pure growth stock in the e-commerce space that investors target for price appreciation. Let's jump to a deep-value dividend stock for nice income.

A deep-value, big-dividend stock

Manulife (TSX:MFC)(NYSE:MFC) stock is expected to grow its earnings per share by about 8-10% per year over the next three to five years. It trades at 8.1 times earnings at under $27 per share. If that's not a deep-value stock, I don't know what is.

At the recent quotation, it also pays a competitive yield of 4.9%. Given its estimated payout ratio of about 38%, it should be able to continue increasing its dividend at a sustainable rate that aligns with its earnings growth.

> "There's a pocket of value in the sector. Life insurance is the cheapest in the group. Lifecos definitely have room for multiple expansion and earnings growth. Our preferred name is **Great-West Lifeco** with a more mature M&A market focus. MFC is more focused on emerging markets."
> *Chris Blumas, portfolio manager at Raymond James Investment Counsel*

The Foolish investor takeaway

Although the general rule of thumb is not to time your investment, in reality, buying during dips or market corrections can drive your returns higher. That said, it's probably not the best move to populate your entire investment portfolio with deep-value stocks. However, it may make sense to hold a portion in deep-value stocks that you believe can boost your long-term returns.

There's always something special about persistently growing stocks. There's a secret sauce in the business they're in or in how the business is managed. So, also consider these other kinds of stocks for populating other parts of your portfolio.

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Date
2025/08/30
Date Created
2022/04/18
Author
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