



2 Value Stocks: Too Cheap to Ignore in May 2022

Description

Here are two value stocks that are too cheap to ignore after losing a combined roughly \$2 billion of market cap value.

It's time to buy value stock Brookfield Business Partners

Brookfield Business Partners ([TSX:BBU.UN](#))([NYSE:BBU](#)) provides essential products and services. Its operations are diversified across the industrial, infrastructure services, and business services sectors. Specifically, it acquires quality businesses and applies its global investing and operational expertise to generate value focused on enhancing profits, and creating sustainable margins and cash flows. Management aims for long-term returns of 15-20% on its investments and has been achieving this target.

A key part of Brookfield Business's strategy is buying businesses and then selling them after they're improved or stabilized. This process of recycling capital makes its earnings lumpy, inconsistent, and unpredictable. In today's environment of tightening liquidity, the stock has easily sold off substantially. It is a classic example of applying Warren Buffett's quote:

"Be fearful when others are greedy and greedy when others are fearful."

The industrial stock has fallen by about 30% from its 52-week high and hit its 52-week low in the last week. According to Yahoo Finance, the 12-month analyst consensus price target suggests near-term upside potential of 88%.

While BBU stock will inevitably experience higher volatility than the average stock, it doesn't change the fact that now and over the next while is a great time to accumulate shares for the eventual rebound. The [undervalued stock](#) also provides a yield of about 1%.

What Scotia Capital thinks about BBU stock

Recent BBU stock commentary from Scotia Capital analyst Phil Hardie on April 7 was positive:

“BBU announced the acquisition of **CDK Global** for an enterprise value of ~\$8.3B of which BBU will invest ~\$500M in equity... BBU continues with its active acquisition campaign with CDK Global as its fourth acquisition in 2022. BBU is setting up nicely for a strong and active year with its own liquidity dry powder and support from **Brookfield Asset Management’s** \$1B (pre-deal) commitment in preferred share purchases. CDK is a leading retail technology and software provider that supports dealers and auto manufacturers in 1) running their businesses more efficiently; 2) driving improved profitability; and 3) creating frictionless purchasing and ownership experiences for customers.”

Scotia Capital is maintaining its price target of US\$38 and “sector outperform” rating: “We continue to view BBU as a top value idea with the stock trading at a wide discount despite stronger operating trends and a solid growth outlook. BBU trades at a ~35% discount to our forward [net asset value] estimate.”

goeasy stock

Tightening liquidity and rising interest rates don’t bode well for **goeasy** ([TSX:GSY](#)) stock. At least, for now, it is pressuring the stock’s valuation, making it an interesting value stock *and* [growth stock](#) idea. However, in time, the business will adjust to the new normal. The consumer lender provides essential products and services for folks who are unable to borrow money from traditional methods.

At \$115 and change per share, the value stock trades at about 10.5 times earnings. According to Yahoo Finance, analysts price a fair value of \$215 per share, which suggests a significant discount of 46%. The dividend stock also provides a decently attractive yield of almost 3.2%. Long-term investors should swell their wealth by accumulating shares and expecting multi-year double-digit earnings growth.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BBU (Brookfield Business Partners L.P.)
2. TSX:BBU.UN (Brookfield Business Partners)
3. TSX:GSY (goeasy Ltd.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin

3. Msn
4. Newscred
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