TFSA Investors: 2 Value Stocks That've Fallen to Bargain-Basement Prices

Description

Beginner TFSA investors should look to treat bouts of market volatility as opportunities to top up on shares of fantastic businesses they intend to hang onto for the long haul. Undoubtedly, the great Warren Buffett has been busy in the first quarter of 2022 (he'll likely be busy in the second quarter, given the worsening of the market selloff), scooping up market bargains from across the board.

The man's insistence on dirt-cheap stocks (many had single-digit price-to-earnings (P/E) multiples) is part of the reason for his long-term outperformance. Even as **Berkshire Hathaway** has grown in value, his discipline and ability to act as a contrarian through stressful, turbulent times make him an investment legend.

Time to go for TSX market bargains?

Indeed, it's more about mindset than wits when investing over lengthy periods. By focusing on bargains to be had rather than losses you've racked up, you'll be in a better mindset and be likelier to take advantage of opportunities.

As the famous saying goes, when there's blood in the streets, you've got to take action, even if some of the blood is your own!

This piece will look at two value stocks that have gotten a bit cheaper in recent months. TFSA (Tax-Free Savings Account) investors seeking great deals with their 2022 contribution may wish to put it to work to play a second half that could see gains rather than steepening losses.

Consider **Dollarama** (TSX:DOL) and **Parkland Fuel** (TSX:PKI) — two retailers that could be ready to soar, even if markets don't get in on the action.

Dollarama

Dollarama is the popular chain of discount retailers that many Canadians know and love. Inflation has been a force weighing on Dollarama, inducing the firm to increase its price cap to $5. Despite the price hikes, Dollarama continues to be a primary beneficiary in this environment. How? Consumer spending has faded of late in response to the high level of inflation.

Recent talks of inflation aren't helping the cause either. As a result, many consumers are likely taking business from pricier retailers to low-cost ones like Dollarama. Even with price hikes, the retailer continues to thrive. And as recession strikes (it may or may not), Dollarama will be far more resilient than most other retail plays out there.

The $21 billion retailer trades at an uncomfortable 33 times trailing earnings. So, there is a lot of optimism baked in. Though I'd prefer to wait for a steeper pullback (shares down just 5% from their high), I'm not against buying into a partial position here, as the high P/E multiple may not tell the whole story, given the magnitude of earnings multiple compression that could be in the cards, as the firm looks to make the most of higher consumer foot traffic.

Parkland Fuel

For those looking for a cheaper play, Parkland Fuel is tough to pass up at these levels. Unlike Dollarama, which has been thriving of late, Parkland is stuck in a rut. Still down 22% from its 2020 highs, the fuel retailer has endured a few challenges that have made a swift recovery tougher.

With a market cap just shy of $6 billion, I view Parkland as an attractive takeover target. The company needs to invest to adapt to the times as the coming electric vehicle boom kicks it up a notch. With shares trading at an absurd 0.2 times sales and 2.9 times book value, I think the risk/reward scenario is great, as management looks to improve its margins.

CATEGORY

1. Investing

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1. TSX:DOL (Dollarama Inc.)
2. TSX:PKI (Parkland Fuel Corporation)

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