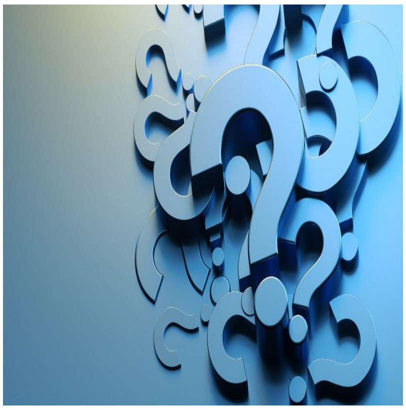

Is Canaccord Genuity (TSX:CF) a Buy at the 47% Discount?

Description

The TSX is currently home to a lot of discounted stocks, thanks to its bearish phase. But if you look for an amazing deal in this bear market, which includes a great discount, recovery-based, long-term growth potential, and dividends, only a few stocks will start to look investment-worthy. And one of those few stocks is **Canaccord Genuity** (TSX:CF).

The company

It's a full-service financial services firm that has been around for over seven decades. It's a mid-cap company with headquarters in both Toronto and Vancouver. The Canaccord Genuity Group is split into two businesses: one named simply Canaccord Genuity and the other Canaccord Genuity Wealth Management.

The first group is focused on capital markets around the globe. And it has an extensive reach with offices and clients spread out over four continents. The wealth management group has a relatively shorter reach, though the international presence is still impressive enough. The international presence of both groups is encouraging, as it indicates unprecedented growth potential.

Capital markets generate the bulk of the revenue, around two-thirds, while the wealth management business brings in the rest.

The stock

The stock is currently available at a decent 47% discount, and it's going downhill at a sharp angle. This has pushed the valuation discount up as well, and the price-to-earnings multiple is just 4.1 at the moment. One area that has benefited from this the most is the dividends. The yield is up to 3.8%, and if it continues to go down, it may go up to the juicy number of 4%.

The dividends are impressive for two other reasons as well, the first being its payout ratio of 14.3%, making it quite brutally safe. The second is the dividend growth. From its payouts of $0.01 a share in

2018, the company is currently paying a dividend of $0.0850 per share per quarter, which is an almost unprecedented level of growth.

And if the company keeps growing its payouts at this rate for even a couple of more years, you might get a substantial boost in your dividend income from this stock.

The capital-appreciation potential of the stock is decent enough, but it’s not linear growth; it’s cyclical, so your return potential goes up with how close to the depth of each slump you buy.

Even at its discounted price, the stock is trading at over a 50% premium to its pre-pandemic peak, and if that’s the mark it’s diving for, you should consider waiting before you buy. The additional benefit would be an even higher yield.

Foolish takeaway

Canaccord Genuity has a healthy business, and its financials are steady. Its organic growth is adequately paced, so there is a high probability that the valuation will remain at or below fair levels for quite a few quarters to come. Your goal should be to buy it as low as possible and wait for the next growth spurt and, till then, keep benefiting from its dividend.

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