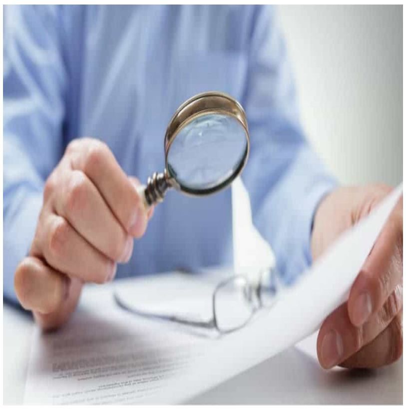


3 Value TSX Stocks to Eye in July 2022

Description

Here are three value **TSX** stocks that investors can put on their radar in July. Research further to see if they fit your investment style or strategy.

A top value energy stock

There's still a lot of value in energy stocks. Although oil prices have dipped from a peak, and even if they were to fall further, many oil producers will still be able to generate substantial cash flow. That's because during the oil price downturn in the pandemic year of 2020, many energy stocks have improved their efficiencies and reduced operating costs.

For example, the operating expense of **Parex Resources** (TSX:PXT) was 14% of revenues in the "normal" year of 2019 before the pandemic. In 2021, its operating expense was 12% of revenues. Consequently, its operating margin improved from 47.8% in 2019 to 50.4% in 2021.

It's rare to find an oil producer with retained earnings, which implies a company has cumulative earnings after accounting for dividends since it started operating. Parex Resources last reported retained earnings of US$703 million, which was close to 49% of its stockholders' equity. The oil producer also increased its stockholders' equity by 6% since the end of 2019.

The energy stock has corrected about 28% from its 52-week high. At $21.80 per share at writing, it trades at a dirt-cheap valuation of about 2.8 times cash flow. In 2021, Parex started paying a quarterly dividend, which has doubled since. It now yields about 4.6%. Its dividend is easily covered by earnings and cash flow.

Another undervalued dividend stock

If you prefer to stay on the sidelines when it comes to volatile energy stocks, you might consider another undervalued dividend stock like **Manulife** (TSX:MFC)(NYSE:MFC), which has morepredictable earnings.

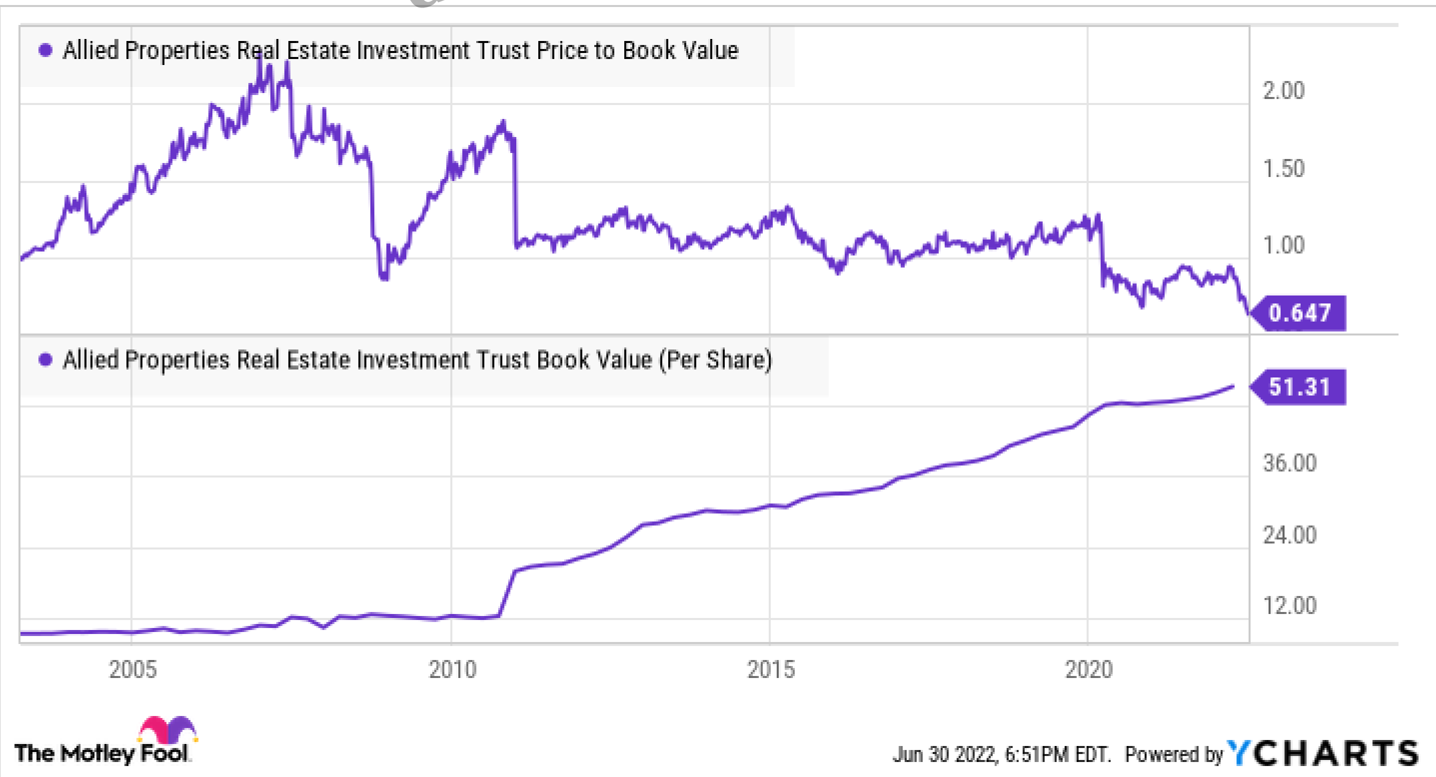
The life and health insurance company has annualized core earnings of about $6.5 billion, which covers its dividend sustainably. Its payout ratio is set to be about 40% this year — if not lower.

MFC is a Canadian Dividend Aristocrat that has been raising its dividend every year since 2014. It offers a juicy yield of 5.9%, which is perfect for Canadians who need to boost income to help combat inflation. At $22.32 per share at writing, the TSX stock is cheap, too, as it trades at about 6.9 times earnings.

Undervalued TSX stock offering a big yield

In my Canadian REIT coverage universe, I spy **Allied Properties REIT** (TSX:AP.UN) as being one of the cheapest REITs. There are some underlying concerns about the general outlook for the office real estate industry, though.

Investors are worried about the decline in the demand for office space. Despite that, the graph below shows some interesting dynamics. Allied Properties's valuation (based on the price-to-book ratio) has been on a long-term decline. And the multiple hasn't sustainably stayed above book value since the onset of the pandemic. However, management has done an incredible job growing its book value per share and focusing on quality class I workspaces.



AP.UN Price to Book Value data by YCharts

No matter how you look at it, there seems to be a huge disconnect between its stock price and its fundamentals. So far, the REIT's funds from operations have stayed defensive with a buffer to protect its 5.3% yield.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:AP.UN (Allied Properties Real Estate Investment Trust)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:PXT (PAREX RESOURCES INC)

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kayng