2 Bargain Stocks You Can Buy Today and Hold Forever

Description

The Canadian stock market is in correction mode, but unlike the U.S. stock market, it's not in a bear market yet, because it hasn't fallen 20% or more from its peak. Still, the Canadian market has corrected close to 15%. The downward trend has made some stocks dirt cheap.

Look no further for bargain stocks you can buy today! Investors can even opt to hold the following dividend stocks forever for growing passive income.

This bargain stock offers a good yield and high growth

Short-term pain for long-term gain pretty much sums it up for **goeasy** (TSX:GSY) stock investors today. In the short term, rising inflation, higher interest rates, credit tightening, and a heightened risk of a recession don't bode well for the non-prime consumer lending leader. As a result, the growth stock has tumbled more than 55% from its peak that was set around September 2021.

Canadians who cannot borrow from traditional means have depended on the company for its essential products and services for more than 30 years. To illustrate goeasy's high growth, its 15-year earnings per share compounded by 17.7% annually. In the period, it also raised its dividend per share at a similar rate of 17.3%. This year, it further increased its dividend by an incredible rate of almost 38%.

A substantial stock price cut and rising dividends have led to an appetizing yield of 3.7%. The growth stock's trailing-12-month (TTM) payout ratio is sustainable below 26% of earnings. It also has a large reserve of retained earnings that can serve as a buffer to protect the dividend as needed. Assuming it maintains the same quarterly dividend, its retained earnings provide about nine years of buffer.

At about $98 per share at writing, the dividend stock trades at about 8.9 times earnings — a discount of roughly 27% from its long-term normal valuation. According to Yahoo Finance, the 12-month consensus price target across nine analysts suggests a bargain stock trading at half price! Investors who have a long-term investment horizon are setting themselves up for lucrative gains. Five-year annualized returns could be around 24%.

Sticking to the financial services theme, **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM
) is another bargain stock.

A bargain bank stock paying a juicy dividend

Although banks are affected by recessions (or the heightened risk of one), in the long run, they have been solid investments. If anything, big Canadian bank stocks like CIBC provide stability and reassurance. In particular, CIBC stock has paid uninterrupted dividends for more than 150 years! Its 10-year dividend-growth rate is about 6%, while its 15-year dividend-growth rate is about 7.7%.

The effect of a recession will be a higher provision for credit losses that would cut into its earnings like what happened around the pandemic in fiscal 2020. However, a higher provision for credit losses essentially estimates the losses due to potential bad loans. It doesn't mean the bad loans have already materialized. Indeed, during the pandemic, the big Canadian banks ended up overstating the provision for credit losses, which led to a huge jump in bank earnings in fiscal 2021.

In any case, at $62.51 per share at writing, CIBC stock is a great value trading at about 8.5 times earnings and targeting earnings growth of 5-10% per year. The bank stock also provides a generous yield of 5.3%.

The dividend stock's TTM payout ratio is sustainable at 43% of earnings. It also has a big reserve of retained earnings that can serve as a buffer to sustain its dividend for about nine years.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:GSY (goeasy Ltd.)

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Author
kayng