3 TSX Stocks You Can Still Buy for Under $20 a Share

Description

North American stock markets fell yesterday due to hot U.S. inflation of 8.3% in August. The U.S. stock market, using **S&P 500 ETF** as a proxy, tumbled more than 4%, while the Canadian stock market, using **iShares S&P/TSX 60 Index ETF** as a proxy, dipped almost 2%. The high inflation entails that higher interest rates are here to stay for the near term.

Indeed, this month the Bank of Canada increased the benchmark interest rate by 0.75% to 3.25% and hinted more hikes will come as inflation remains high. For reference, Canada's latest data shows July inflation was 7.6%, which was well above the central bank's target of 1-3%.

Greater market volatility with further market correction could occur through the end of the year and probably continue into 2023. In the meantime, you can check out these three **TSX** stocks that you can buy for under $20 a share. They appear to be cheap.

Aecon

Construction company **Aecon** (TSX:ARE) is a cyclical stock. History clearly illustrates that its adjusted earnings per share (EPS) could go up or down over at least two consecutive years. Last year, its adjusted EPS tumbled. This year, they're expected to drop again. In the past 15 years, the company hasn't had more than two years of falling earnings. Therefore, if history is indicative of the future, its business could make a huge comeback in 2023.

At writing, Aecon trades at $11.93 per share — a price that's closer to the low end of its long-term trading range. At the high end, it could trade in the $21 range for price gains of about 76%. It could take a few years to get there, though. Meanwhile, the volatile stock offers an above-average dividend yield of 6.2% versus the Canadian market's yield of approximately 3%.

Its payout ratio is overextended this year. However, management is keen on paying its dividend — one that it has maintained or increased every year since 2008. Since inception, Aecon's retained earnings are $404.9 million, which is evidence of the staying power of the business.

For a lower-risk stock, investors can turn to the following Canadian real estate investment trust (REIT).

InterRent REIT

Rising interest rates have cooled off the real estate market. The valuation of **InterRent REIT** (TSX:IIP.UN) has also tumbled to more normalized levels. In fact, the high-growth residential REIT was one of the top stock picks of a Foolish writer this month. Daniel Da Costa wrote “with vacancy rates already ultra-low, immigration picking back up and students returning to post-secondary schools this fall, there is little downside risk left with these stocks.”

Analysts currently have a 12-month average price target of $16.31 on the stock, which represents over 30% near-term upside potential from $12.50 per unit at writing. The REIT also pays a 2.7% yield for the wait.

If you’re looking for even greater value, you can explore energy stocks.

Whitecap Resources

For example, **Whitecap Resources** (TSX:WCP) will continue to generate substantial cash flow even if oil prices were to fall to lower levels. From 2018 to 2020, the oil stock produced free cash flow (FCF) of over $237 million every year.

This means the company was doing fine, even during the worst economic times of the pandemic when economic shutdowns were widespread. In the trailing 12 months (TTM), its FCF generation exploded to over $1 billion!

Management has taken advantage of high energy prices to immensely improve its balance sheet. For instance, its end of second-quarter debt-to-equity ratio shrank to 65% versus 2020’s 2.39 times.

At $9.30 per share at writing, the energy stock offers a yield of 4.8%. Its TTM payout ratio was less than 17% of free cash flow. Analysts currently have a 12-month average price target of $15.32 on the stock, which represents over 64% near-term upside potential.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ARE (Aecon Group Inc.)
2. TSX:IIP.UN (InterRent Real Estate Investment Trust)
3. TSX:WCP (Whitecap Resources Inc.)

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