3 Undervalued Companies That May Break Out in the Right Market

Description

Not all undervalued companies may have the potential for exceptional growth in the long term or when the market conditions are right, but some do, and these are the gems you should look for. Buying an undervalued stock *just* because of the bargain (in price or value) it offers may not be the wisest course of action.

A REIT

Even though many real estate investment trusts (REITs) are discounted right now, few are as devastated as **Minto Apartment REIT** (TSX:MI.UN). It's currently trading at a massive 38% discount from its 2021 peak and a 44% discount from its pre-pandemic peak.

Despite the sharp fall, the REIT only offers a modest 3.1% yield. But it's growing its payouts every year since its inception, and the payout ratio has never even crossed 20%, making the dividend incredibly stable.

But even more promising than its steady dividend is its capital-appreciation potential that hasn't adequately manifested since the 2020 crash. Before the pandemic, the REIT stock was going up at a decent pace, but since the crash, it has struggled to regain this pace.

But its financials are strong, and a similarly proportional undervaluation accompanies the price discount, so the REIT might be at the right turn for growth once the market stabilizes.

A gold stock

In 2022, gold stocks hadn't followed the typical pattern of staying strong when the market was weak, and many fell much harder than the market did in April. One example would be **Centerra Gold** (TSX:CG)(NYSE:CGAU), which has lost over 54% since its mid-April valuation. Since it's a dividend payer, this fall has resulted in a substantial rise in the yield, which is currently at 4.6%.

The stock is also undervalued right now as the price-to-earnings ratio is just 3.5. For a company like Centerra, the right market “condition” would be when the rest of the sector is rising. At its current price of $6 per share, the stock might easily double your investment if it starts following a bullish trend in the gold sector and reaches its recent peak. The gains may increase if it touches or outgrows its 2020 peak.

An EV stock

The right market for electric vehicles (EVs) is already here, but only if you take a relatively long-term view. EVs are facing several challenges, some technological and others tied to macro factors like uncertainty in the energy sector. These challenges are driving stocks like **Lion Electric** (TSX:LEV)(NYSE:LEV) down into the ground. The stock is relatively new, and its road has mostly been downhill since its inception in May 2021.

But as an innovative zero-emission vehicle (ZEV) company targeting mass transport, specifically school buses, it has the potential to rise.

Local governments in both Canada and the U.S. may start taking green initiatives, like moving on to a ZEV fleet, and if Lion Electric gets a few large contracts, it may see its financials and stock go up. This business model also makes it an intelligent choice from an ESG (environmental, social, and governance) investing perspective.

Foolish takeaway

The three undervalued companies that are also adorned with a decent discount tag right now can be transformative for your portfolio when the right market conditions are in place. And if they deliver on the more optimistic growth projections, you may see amazing returns, even if you factor in the time you may have to hold them while they underperform the market.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CGAU (Centerra Gold Inc.)
2. OTC:LEVG.Q (Lion Electric)
3. TSX:CG (Centerra Gold Inc.)
4. TSX:LEV (Lion Electric)
5. TSX:MI.UN (Minto Apartment Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn

5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. adamothman
2. kduncombe

Category

1. Investing

Date
2025/08/12
Date Created
2022/09/18
Author
adamothman