



1 Oversold Dividend Stock I'm Buying in October

Description

Right now is one of the best times in recent memory to buy a solid dividend stock as a long-term holding. That's because so many of the top dividend stocks out there remain well below fair value. In fact, some are even oversold!

What does oversold mean?

For those who need a refresh, oversold means the stock has been sold beyond its true value price. If a stock is below 30% on the relative strength index (RSI), a measure between zero and 100, then this means it's oversold. The reverse would be overbought, and that's when the RSI surpasses 70%.

This can be a great way to find superior value when looking for the right dividend stock — especially right now. While many shares are down, there aren't that many that are *truly* oversold. In fact, the list is quite short. This is why today, I'm going to focus on just one dividend stock for true oversold value.

Sleep Country

Shares of **Sleep Country** ([TSX:ZZZ](#)) trade at about a 30% RSI, though they were even lower just a few days ago. It seems that once the stock hit that real oversold territory, investors hopped on the stock. And it's clear why.

The dividend stock offers incredible value as of writing, trading at just 7.81 times earnings. Further, it also trades at 1.93 times book value. But one of the best indicators? It would take just 95.89% of all its equity to cover its total debts. This is huge and something most stocks cannot claim — especially those in oversold territory.

Solid performance

Now, shares of the stock are down a whopping 41% year to date, and this could be tied to [inflation](#) and

interest rates. Consumers simply aren't looking to buy a new bed during a time when purse strings are no longer loose. But investors may forget that this company has a lot of revenue coming in from multiple sources.

Sleep Country stock has made numerous partnerships over the years, including in e-commerce and in the United States. It now offers online ways of buying a new mattress, purchasing them in stores like **Walmart** as well as in Sleep Country locations. All these revenue streams have led to some of the strongest performance in company history.

That includes most recently during its second-quarter performance. Revenue increased 18.4% year over year to \$35.4 million during the second quarter, with same-store sales up 15.1% during that time. Further, e-commerce sales were also up, as was its operating earnings before interest, taxes, depreciation, and amortization, which was up by 21.8%. Net income also increased by 33.2% to \$22.7 million.

Lock in a dividend

All of this is happening, and yet shares have *still* slumped, which is why now is the time to lock in a [dividend yield](#) at 4.03% as of writing. You can bring in amazing passive income and wait for an incredible recovery in the stock while investors catch up to this momentum.

How much passive income? Right now, \$10,000 could get you about \$395 in annual passive income. That's compared to 52-week highs, which would have brought in \$205 for the same amount. All things considered, this is a top dividend stock to consider in October.

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