3 Safe TSX Stocks Almost No One is Talking About

Description

One of the most important truths that every investor should be aware of is that some degree of risk is inherent to almost all stocks. There is a risk even if you choose from the most stable blue-chip stocks. So, when taking on some level of risk, why not grow your pool of potential investments beyond the blue-chip options?

Plenty of safe, mid-cap companies share the same characteristics of the elite blue chips but are not counted among them since they don't meet market cap requirements.

And there are at least three such mid-cap stocks that are flying under the radar and could offer investors promising potential.

Stelco Holdings

Stelco Holdings (TSX:STLC) is among the country's oldest and most prominent steelmakers. The company has two main facilities, producing about two million tons of steel products annually. The company caters to a wide variety of local industries and has a robust client base.

It also focuses on green/environmentally friendly steel production practices, making its steel more alluring to companies looking to reduce their carbon footprint throughout the supply chain.

Stelco is a safe and healthy business that is currently an undervalued bargain. It's trading at a 37% discount from its recent peak, and the price-to-earnings (P/E) ratio is just 1.38. The discount has pushed its dividend yield up to an attractive 3.45%. And even though the stock is significantly below its pre-pandemic peak, the undervaluation points to solid growth potential.

BRP

BRP (TSX:DOO) is one of the most well-known names when it comes to the recreational vehicle market in North America. The company has nine brands under its banner, including snowmobile companies, watercraft manufacturers, and an off-road vehicle company. BRP has carved out a sizeable portion of this niche market for itself, making it a leader you can safely bet on.

BRP stock, while not as undervalued or discounted as Stelco, is definitely on the right side of fair valuation. The P/E ratio is at 9.9 and the stock is down 32% from its peak.

While it's a dividend stock, the 0.75% yield pales in comparison to its 99% growth in the last five years. If the stock keeps moving at this pace, you can see your capital double in the next five years with this safe, mid-cap company.

StorageVault Canada

Real estate is usually considered a safe investment, and you can make it even safer with a company like **StorageVault Canada** (TSX:SVI). It's not just backed by "hard" real estate assets, but it's also a dominant player in a niche real estate market – storage spaces. This is a specific slice of commercial real estate that is highly fragmented, with only a few notable names, including StorageVault Canada.

The company has made several acquisitions over the years and is growing, both by acquiring complementary businesses and purchasing storage spaces/stores, increasing the size of its portfolio.

The stock saw exceptional growth between 2010 and 2017, and even though the current growth pace is a far cry from past momentum, SVI stock still managed to almost triple its investors' capital in the last five years, with its 189% growth.

Foolish takeaway

Not all undervalued stocks are worth buying but companies with strong fundamentals like Stelco and BRP are definitely worth considering. And even though it's not undervalued right now, robust growth stocks like StorageVault can become wealth builders for investors, assuming they are held for long enough.

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1. Dividend Stocks
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2. TSX:STLC (Stelco Holdings Inc.)
3. TSX:SVI (StorageVault Canada Inc.)

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Author
adamothman