The Smartest Stocks to Buy With $20 Right Now

Description

Even though the **TSX Index** has had a nice run up lately, there are still some undervalued stocks to buy out there. In fact, if you aren't afraid to be patient and a little contrarian, you can pick up some insanely cheap stocks for $20 or less today.

An energy stock with plenty of returns to come

ARC Resources (TSX:ARX) is one of Canada's leading natural gas producers. Its stock trades for $19.82 per share, and it yields a 3.1% dividend. Despite a strong year-to-date performance of 73%, ARC still looks like an attractive buy. This energy stock only trades for 5.6 times earnings right now!

It owns assets that are set to produce for several decades. It largely owns its own infrastructure, so it can produce natural gas and oil at a very low cost. In the third quarter, it produced $580 million of excess cash flow.

Nearly 94% of that cash was given back to shareholders in the form of dividends or share buybacks. For context, ARC has bought back 13% of its shares outstanding this year. Likewise, it increased its quarterly dividend by 25% to $0.15 per share. That's its second increase this year. For a combination of value and dividends, ARC is a smart stock to buy for 2023.

A cheap real estate stock

Real estate stocks have been slaughtered in 2022. **Dream Industrial Real Estate Investment Trust** (TSX:DIR.UN) is down 30% this year. At a price of $12 per share, it trades with a very attractive 5.8% dividend yield right now. This stock trades at a nearly 25% discount to its private market property value.

Dream just entered a joint venture to acquire a sake in another Canadian industrial REIT, **Summit Industrial REIT**. Dream is now among only two major industrial REITs left in Canada. It is a greatstock to get exposure to this sector. Industrial real estate has been very strong over the past few years. Dream has enjoyed high occupancy and strong rental rate growth this year.

Dream Industrial stock is trading at a large discount with an attractive, well-covered dividend. Investors could enjoy valuation upside and a great stream of monthly income.

A beaten-down growth stock

It has not been a pretty year for **Sangoma Technologies** (TSX:STC). At $7 per share, its stock is down 68% this year. Small-cap stocks have been battered in 2022, as investors run for safer, income-yielding plays. This presents some incredible value for patient investors.

This stock trades with an enterprise value-to-earnings before interest, taxes, depreciation, and amortization ratio (EBITDA) of 4.5 and a price-to-free cash flow ratio of 3.8. You'd be hard-pressed to find a cheaper growth stock today.

Sangoma provides a one-stop shop for business communications services. While it has focused on the small- to mid-sized market, it is gaining traction with larger enterprises. It is expected to grow revenues and EBITDA this year by 22% and 17.5%, respectively.

Analysts have an average price target of $16.50, projecting 135% from here. You will have to be a contrarian with this stock, but you could stand to do exceptionally well when the market starts to recover.

CATEGORY

1. Investing

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1. TSX:ARX (ARC Resources Ltd.)
2. TSX:DIR.UN (Dream Industrial REIT)
3. TSX:STC (Sangoma Technologies Corporation)

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Date
2025/08/12
Date Created
2022/12/05
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