Three 52 Week Lows to Consider

Description

You never know where the next great stock pick is going to come from. One potential source is scouring the market for stocks trading at, or near, their 52 week low. Though the list is currently short, here's a brief profile of three companies that are a stone's throw away from this dubious, but potentially lucrative, level.

Reitmans (TSX:RET.A)

Business hasn't exactly been booming for this Canadian retailer. Revenues have been stagnant over the past five years and net income has fallen from $115 million in 2008 to just $32 million in the twelve month period that ended in October 2012.

By far the most appealing characteristic of Reitmans' stock is the 7.0% dividend yield that it offers. If profitability continues to plummet it is unlikely that the current dividend is sustainable, however, the company's balance sheet and cash flow statement make this outcome far from inevitable. With net cash of $2.61 per share and a business mix that consistently generates free cash flow, Reitmans' dividend maybe safer than investors are giving it credit for.

Colossus Minerals (TSX:CSI)

Colossus is a development stage mining and exploration company with a 75% interest in Serra Palada – a Brazilian gold/platinum/palladium project.

Although the stock trades at $3.10 and is up 5% today, over the past year it has declined by 56% as the company has built out the mine. Management expects mine production to begin in the second quarter of 2013 with design rate capacity achieved by the first quarter of 2014. There is $100 million in the bank and about $50 million of cap ex remains. If the company is able to meet these dates, and remain on budget, this stock could stage a big time recovery.

Penn West Petroleum (TSX:PWT)

Similar to Reitmans, Penn West's yield at 10.7% is the stock's most appealing feature. Unlike

Reitmans, Penn West doesn't have the cash flow, or balance sheet, to support such a juicy dividend. Penn West required $395 million to cover its dividend in 2012 (down from $1.3 billion in 2008) and has produced approximately -$500 million in free cash flow in each of the past three years. With a capital budget of $900 million scheduled for 2013, cap ex plus dividends are once again expected to exceed the company's operating cash flow. Penn West's version of the classic "Tale of the Shrinking Dividend" appears poised to continue.

The Foolish Bottom Line

Just like a visit to the local dump occasionally offers up an unexpected gem, perusing the list of 52 week lows may lead to an attractive opportunity. Investors are obviously pessimistic on each of these three names. Should any of them show a hint of positive momentum, some serious money could be made.

Follow us on Twitter and Facebook for the latest in Foolish investing.

Fool contributor Iain Butler does not own shares in any of the companies mentioned in this report at this time. The Motley Fool has no positions in the stocks mentioned above.

CATEGORY

1. Investing

Category

1. Investing

Date
2025/09/26
Date Created
2013/02/25
Author
tmfohcanada