



2 Gold Stocks Under \$5 You Could Actually Buy Today

Description

Many investors think that stocks trading under \$5 are bargains, but this is not the case by any means. Oftentimes, a stock has fallen to those levels because of weak financial performance by the company, because it has flooded the market with too many of its shares, or in some cases, because of accounting or legal issues.

One way to find a true bargain is to look for the stocks of companies that remain profitable and trade at inexpensive valuations compared with their five-year averages. To make things even easier, I have scoured the market and found two gold stocks that meet these criteria perfectly, so let's take a closer look at each companies' first-quarter earnings results and their stocks' valuations to determine which would be the best fit for your portfolio. All figures are in U.S. dollars.

1. B2Gold Corp.

B2Gold Corp. ([TSX:BTO](#))(NYSE:BTG) is a Vancouver-based gold producer with four operating mines around the world. In the first quarter of fiscal 2015 it reported a net profit of \$6.3 million, or \$0.01 per share, compared to a net loss of \$24 million, or \$0.04 per share, in the year-ago period as its revenue increased 7.7% to \$138.89 million and its total gold production increased 20.3% to a record 115,859 ounces.

At today's levels, B2Gold's stock trades at 38.8 times fiscal 2015's estimated earnings per share of \$0.05 and 24.3 times fiscal 2016's estimated earnings per share of \$0.08, the latter of which is inexpensive compared with its five-year average price-to-earnings multiple of 31.3. I think the company's stock could consistently command a fair multiple of at least 31, which would place its shares around \$2.50 by the conclusion of fiscal 2016, representing upside of more than 28% from current levels.

2. Argonaut Gold Inc.

Argonaut Gold Inc. ([TSX:AR](#)) is Canadian-based gold mining company engaged in exploration, development, and production activities in Mexico and Canada. In the first quarter of fiscal 2015 its net income decreased 46.5% to \$1.51 million and its earnings per share decreased 50% to \$0.01

compared with the same quarter a year ago as its revenue increased 30.5% to \$50.96 million and its total production increased 39.7% to 43,255 gold equivalent ounces.

At current levels, Argonaut's stock trades at 33.6 times fiscal 2015's estimated earnings per share of \$0.05 and 14 times fiscal 2016's estimated earnings per share of \$0.10, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 61.9. I think the company's stock could consistently trade at a fair multiple of at least 40, which would place its shares around \$4.00 by the conclusion of fiscal 2016, representing upside of more than 138% from today's levels.

Should you speculate on one of these gold stocks today?

B2Gold and Argonaut Gold could generate huge returns for investors over the next few years if they can continue to increase production and keep their expenses under control. Foolish investors seeking a speculative play should take a closer look and consider initiating positions in one of them today.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:AR (Argonaut Gold Inc.)
2. TSX:BTO (B2Gold Corp.)

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Author

jsolitro

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