



## 2 Stocks Under \$3 You Could Speculate on Today

### Description

Many investors think that stocks trading under \$3 are bargains, but this is not the case by any means. Oftentimes, a stock has fallen to those levels because of a 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 companies that remain profitable and whose stocks trade at inexpensive forward valuations compared with their historical or industry averages. I have scoured the market and found two 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.

#### 1. Sprott Inc.

**Sprott Inc.** ([TSX:SII](#)) is a leading alternative asset manager, providing investors with the opportunity to participate in the future growth of its group of companies. In the first quarter of fiscal 2015 its net income decreased 32.2% to \$6.9 million, its earnings per share decreased 25% to \$0.03, and its revenue increased 1.3% to \$33.3 million compared with the year-ago period.

At today's levels, Sprott's stock trades at 19.7 times fiscal 2015's estimated earnings per share of \$0.13 and 17.1 times fiscal 2016's estimated earnings per share of \$0.15, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 23.4. I think its stock could consistently command a fair multiple of at least 23, which would place its shares around \$3.00 by the conclusion of fiscal 2015 and around \$3.45 by the conclusion of fiscal 2016, representing upside of more than 17% and 34%, respectively, from current levels.

It is also important to note that Sprott pays a quarterly dividend of \$0.03 per share, or \$0.12 per share annually, giving its stock a 4.7% yield.

#### 2. Teranga Gold Corp.

**Teranga Gold Corp.** (TSX:TGZ) is a Canadian-based gold mining company that operates the

Sabodala Gold mine, the only gold mine in Senegal, West Africa. In the first quarter of fiscal 2015 its net income increased 267.8% to \$15.27 million, its earnings per share increased 300% to \$0.04, and its revenue decreased 1.9% to \$68.49 million compared with the year-ago period (all figures are in U.S. dollars).

At current levels, Teranga's stock trades at 10.3 times fiscal 2015's and 2016's estimated earnings per share of \$0.07, both of which are inexpensive compared with the industry average price-to-earnings multiple of 17.3. I think its stock could consistent command a fair multiple of at least 15, which would place its shares around \$1.05 by the conclusion of fiscal 2016, representing upside of more than 45% from today's levels.

### **Should you speculate on one of these stocks today?**

Sprott and Teranga Gold could generate huge returns for investors over the next few years if they continue to operate efficiently. However, they could fail just as easily if they make any financial mistakes, so Foolish investors should remain cautious and remember that these are purely speculative investment options.

### **CATEGORY**

1. Investing
2. Metals and Mining Stocks

### **TICKERS GLOBAL**

1. TSX:SII (Sprott Inc.)

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