These Companies Hit 52-Week Lows. Are They Really Bargains?

Description

Le Groupe Jean Coutu PJC Inc. (TSX:PJC.A)

Jean Coutu has declined 8.5% in the last year, but almost 20% in the last six months because analysts downgraded the stock due to increased risk related to drug reforms, because the mandated increase in generic drug prescriptions will have a deflationary effect on pharmacy revenue, and because of company-specific supply chain issues.

On a brighter note, we have seen a step up in same-store sales growth in the latest quarter, as same-store pharmacy sales increased 4.2% and front-end same-store sales increased 2.7%. And keeping our eye on the long term, the company has taken steps to implement new technology platforms and move its distribution centre and headquarters, all in an effort to improve productivity and make room for growth.

And to further increase investors' comfort levels about the stock, the company has a very healthy balance sheet with no debt and an eye on returning cash to shareholders. The company paid out a special dividend to shareholders last year and instituted a share-buyback plan as a way to return cash to shareholders.

Freehold Royalties Ltd. (TSX:FRU)

The stock is down almost 46% in the last year. Crude oil is down over 50% in the last year. Despite a difficult energy market right now, with a dividend yield of 7.4%, a stable business model, and well-timed royalty acquisitions, the stock looks like an attractive holding for investors looking for dividend income. And upside exists if and when oil prices start to recover.

The stock is trading at relatively cheap valuations. The company has beat expectations in the last two quarters, has strong margins, and a strong ROE of almost 20%. A company-specific problem with Freehold is that the payout ratio is high, but with a debt-to-capitalization of 32%, there is room on the balance sheet.

Enerflex Ltd. (TSX:EFX)

Enerflex has declined 30% in the last year as the company continues to struggle with a depressed energy market. Oil services companies such as this one are extremely volatile. Results fluctuate drastically as well as the stock price. In the latest quarter the company saw a 41% decrease in bookings, and market conditions are such that there is still significant uncertainty. Enerflex has cut jobs, closed facilities, and made other cuts across its business, so it could survive the downturn.

Keeping our eye on the long term, Enerflex is a company whose position has strengthened in recent years. The acquisition of Axip Energy Services for $430 million last year served to increase recurring revenue streams and expand the company’s global reach, both of which strengthen its position and lower the risk associated with the stock.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. Editor's Choice

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1. TSX:EFX (Enerflex Ltd.)
2. TSX:FRU (Freehold Royalties Ltd.)
3. TSX:TLRY (Aphria)

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