



## Value Investors: Check Out These 3 Ridiculously Cheap Stocks

### Description

Value investing has morphed from finding the cheapest assets to finding the best quality.

Billionaire investor Warren Buffett has led this charge as he realized a deep-value strategy is something that wouldn't scale up easily. At the encouragement of his partner, Charlie Munger, Buffett slowly moved away from an absolute-value approach to an intrinsic-value mindset. The rest, as they say, is history.

Thanks to the sell-off in Canadian stocks over the last 18 months, there are some terrific bargains available in certain Canadian stocks, especially those with a connection to Alberta. These aren't the proverbial cigar butts either. These are good companies that are leaders in their sectors. Think of them as Buffetesque stocks at very cheap prices.

Here are three of my favourite value stocks.

### Empire Company

**Empire Company Limited** ([TSX:EMP.A](#)) is the parent company of Safeway and Sobeys, two chains that combine to make Canada's second-largest grocery chain. The company has a 41.5% interest in **Crombie REIT**, and it also owns 250 gas stations in eastern Canada.

Shares are cheap because of the company's acquisition of the Safeway banner in 2014. Now that tougher times have hit the province, shoppers are moving away from upmarket chains like Safeway to cheaper options. Most Safeway stores sell gasoline, which has declined with the price of oil, further cutting into the top line.

Still, it's not all bad news. If we exclude one-time write-offs, Empire generated more than \$600 million in operating profits over the last year. And, according to analysts, Empire shares trade at just 12.1 times forward earnings expectations, while its peers trade at a forward earnings range of 15-18 times.

Empire also trades at a huge discount to its peers on other metrics too, like price-to-sales and price-to-book values. Dividend investors might not be in love with the company's 1.9% yield, but the payout

ratio is low, and the company has grown the dividend by more than 8% annually over the last decade.

## Artis

Winnipeg-based **Artis Real Estate Investment Trust** ([TSX:AX.UN](#)) has quietly grown to become a powerhouse in the sector. It owns more than 25.6 million square feet in total leasable area over 249 different locations. Approximately 30% of its portfolio is located in the United States.

The problem has been the company's exposure to Alberta. Approximately one third of its properties are located in the province, including nearly three million square feet of office space. Because of this association, shares of Artis trade at their cheapest valuation since the 2008-09 financial crisis.

The company has a book value of \$17.99 per share, which is a big premium compared to the current price of \$13.33 per share. Shares are also cheap on an earnings basis, trading at just 10 times 2015's adjusted funds from operations, which came in at \$1.30 per share.

The company pays a succulent dividend of 8.1%, which is easily covered by earnings. If Artis's portfolio returns to book value in five years, this represents a total annual return of approximately 15% per year.

## Magna

**Magna International Inc.** ([TSX:MG](#))([NYSE:MGA](#)) is currently giving investors the opportunity to own one of the world's premier auto parts companies at less than nine times earnings.

The car industry is a cyclical one—that much is certain. Shares of Magna are off more than 22% over the last year on fears that a slowing economy would hurt auto sales. That hasn't happened. If anything, sales have surpassed expectations.

There are also a couple of industry trends I like. The first is the shift to electric—a move that's going to really accelerate over the next decade. This should help keep vehicle demand pretty strong, no matter what the underlying economy does.

The other is **Apple's** interest in the car market. According to industry insiders, a release date for the Apple Car expected to be sometime in 2019. Magna looks likely to get the contract to both supply the car with parts and to assemble it. Both of these should be very good to the bottom line.

## CATEGORY

1. Dividend Stocks
2. Investing

## POST TAG

1. Editor's Choice

## TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:AX.UN (Artis Real Estate Investment Trust)

3. TSX:EMP.A (Empire Company Limited)
4. TSX:MG (Magna International Inc.)

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### Date

2025/08/26

### Date Created

2016/05/10

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