



It's Time to Get Greedy and Buy These 3 Outrageously Cheap Value Stocks

Description

“...be fearful when others are greedy and greedy when others are fearful.”

Warren Buffett has said a bunch of wonderful things over the years, but my favourite quote is still the one above. It perfectly captures my investing philosophy in just a few words.

With markets hitting fresh all-time highs almost daily, it's hard for a value investor to get greedy. Buying the market's favourite stocks at 52-week highs is not my idea of value investing.

Fortunately, there are a few opportunities available today. Here are three of my favourite beaten-up value stocks.

Hudson's Bay

Canada's oldest company is also one of its cheapest. Investors should be taking a closer look at **Hudson's Bay Co** (TSX:HBC) today, especially after it fell more than 7% in Tuesday's trading after weak quarterly earnings.

The company is expanding operations aggressively. The first step was bringing its Saks brand to Canada. It then acquired Galeria Kaufhof, the largest department store chain in Germany. And more recently, it announced a plan to open up to 20 stores in the Netherlands over the next two years.

The real value in HBC isn't in its retail business, however. The company is a real estate play.

According to a presentation made at the annual meeting in May, HBC's management thinks the company is worth \$44.10 per share, with the majority of that value coming from the company's extensive real estate holdings. Management valued the retail operations at just \$8 per share, putting the real estate at \$36.10 per share.

HBC is in the process of spinning out that real estate into a couple of publicly traded REITs. The company's CFO did the same thing back when he worked at **Empire Company**. Management has been very clear about their intentions. It will happen, and investors will likely be rewarded when it does.

Just Energy

I didn't used to be a fan of **Just Energy Group Inc.** (TSX:JE)(NYSE:JE). I thought the company's business model of knocking on doors to sell electricity and natural gas to customers was a terrible choice without much of a future.

But there are things to like about the business. And its valuation is quite tempting.

Just Energy now gets the majority of its revenue from commercial customers—a group that really values paying a fixed price per unit of electricity. Revenue has grown from \$1.53 billion in 2006 to \$4.11 billion in its fiscal 2016; analysts project 2017's top line will hit \$4.2 billion.

The company has also been posting strong free cash flow numbers of late, increasing that metric from \$0.51 per share in 2015 to \$0.78 per share in 2016. It has already delivered free cash flow of \$0.54 per share in just the first six months of 2017.

That's a lot of free cash flow for a stock only trading at \$7.41 on the Toronto Stock Exchange. And investors get a 6.75% yield to wait—an excellent prize for being patient.

Artis

Many investors think **Artis Real Estate Investment Trust** ([TSX:AX.UN](#)) is poised to slash its 9.1% dividend. I disagree. It doesn't really matter though, since, like Hudson's Bay, Artis is a great way to buy undervalued real estate.

Shares trade hands at less than \$12 each, while book value is in excess of \$17 per share. This values the company's Alberta portfolio—which is about one-third of assets—at nothing. This is a preposterous valuation.

Thus far in 2016, Artis's Albertan properties have produced more than \$84 million in net operating income. Yes, that is down more than 7% versus the same period last year. I won't deny the province is suffering, but there's no way that real estate is worthless.

Investors are paying fair value for Artis's other assets while getting everything in Alberta for free. Imagine somebody coming up to you and giving you assets that generate more than \$100 million in annual income for free. What a great deal.

The bottom line

Hudson's Bay, Just Energy, and Artis REIT each have warts. Investors are fearful about struggling retail sales, an unpopular business model, and Albertan assets, respectfully.

But these are very fixable problems. It's time to take Warren Buffett's advice with these three undervalued Canadian companies. It's time to get greedy.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AX.UN (Artis Real Estate Investment Trust)

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