



## 2 Stocks With Strong Earnings at Bargain Prices

### Description

One thing that separates good investors from the great is patience. Patience allows you to wait for stocks to become undervalued and create asymmetrical risk when you buy them.

An example of asymmetrical risk is when the reward is much greater than the risk associated with the stock. Therefore, when you're adding a great company at a discount, there's a greater chance of higher returns without the stock price dropping further.

This strategy has worked well for investing legends such as Warren Buffett, and is a proven method of accelerating wealth.

### Where do investors find these bargain stocks?

**Exco Technologies Limited** ([TSX:XTC](#)) and **High Liner Foods Inc.** ([TSX:HLF](#)) are two stocks of companies with strong earnings that are trading at a discount.

Here's a look at both companies:

#### Exco Technologies Limited

Exco is a manufacturing company that produces various dies and moulds for cars. The company has consistently increased its earnings-per-share at an average annual rate of 30.8%. In addition, the company only has a payout of 25.5%, therefore, the company has the funds necessary to service and grow its dividend yield of 2.87%.

Since Trump has come into power, there has been a sell-off in auto parts stocks due to the threat of increased border taxes. Although there is much uncertainty regarding Trumps plans, investors can take comfort knowing that companies like Exco still operate in an industry of need. This is a classic instance of where investors are being fearful, and it's time for the Foolish ones to get greedy.

#### High Liner Foods Inc.

HLF has been a leader in seafood processing for over 50 years. The company has attained to its leadership position by selling breaded fish. However, changes in consumers' tastes have forced the company to add new product offerings, such as fresh, and less breaded seafood. With a large distribution network in place and an established brand, HLF has the resources to make this shift and remain an industry leader.

Based on the company's earnings, the stock is very cheap. The company currently trades at a price-to-earnings ratio of 12.5 which is significantly below the sector median of 21.8. In addition, the company's price-to-free cash flow is currently at 6.5 compared to its five-year average of 12.9. Therefore, investors can acquire an industry leader with strong earnings at a bargain price.

### **Foolish bottom line**

When great companies like the ones mentioned above become undervalued, it creates an entry point for the stock. As Foolish investors know, being patient and continually seeking value in the stock market will increase the chances of superior returns. Not every pick will be a stud, but it's a method that has proven to work.

Stay Foolish my friends.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **TICKERS GLOBAL**

1. TSX:HLF (High Liner Foods Incorporated)
2. TSX:XTC (Exco Technologies Limited)

### **PARTNER-FEEDS**

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