Investors: Check Out These 3 Ridiculously Cheap Value Stocks

Description

Even though the TSX Composite Index is up a mere 2.1% thus far in 2017, investors everywhere are screaming the market is overvalued.

These folks have a valid point. Thanks to low interest rates, pitiful fixed income yields and myriad of other factors, stocks are expensive based on multiple valuation metrics. It's easy to see why people are nervous.

I tend to look at markets a different way. Sure, I pay attention to the overall indexes. But I'm constantly on the lookout for individual undervalued securities. In other words, I'm far more interested in micro situations. If the opportunity is compelling enough, the overall market valuation doesn't matter.

Here are three incredibly cheap value stocks that I have my eye on today:

Canam Group Inc

Canam Group Inc. (TSX:CAM) is about as old school as you can get. The company makes steel structures for bridges, stadiums, and other mega construction projects.

This has been a steady, albeit somewhat boring business. Still, the company has more than doubled revenue since 2012 and earnings peaked at $1.08 per share in 2015. Shares suffered in 2016 as the company took heavy losses on an unnamed stadium project. Over the last year, Canam shares are down more than 50%; they currently trade hands for $6.09 each.

This represents a great buying opportunity for a long-term investor. Shares currently trade hands for less than half book value, which has historically been a fantastic entry point. The company's backlog continues to be strong, and management has vowed to no longer bid on complex jobs with the potential to go horribly wrong.

Investors are also getting paid a 2.6% dividend to wait, which is a nice consolation prize.

Reitmans (Canada) Limited

I can already hear the objections. **Reitmans (Canada) Limited** (TSX:RET.A) is a clothing retailer, and that sector is allegedly about to be crushed by online merchants willing to sacrifice profits for market share.

Reitmans apparently hasn't gotten the memo. The company recently reported full-year results that featured a 1.6% sales increase despite the company closing 90 stores. Same-store sales, a key retail metric, increased 4.6% and a whopping 7.6% if you include online revenue.

Reitmans is profitable, reporting earnings of $0.17 per share and free cash flow of $0.37 per share over the last year. It has $175 million worth of cash on its balance sheet versus debt of just $2 million. Cash makes up more than half of Reitmans' $343 million market cap. In addition, shares trade at more than 10% less than book value.

Like with Canam, Reitmans shareholders are paid a generous dividend as they wait for shares to go up. The current yield is 3.6%.

Colabor Group Inc.

Colabor Group Inc. (TSX:GCL) doesn't have quite the margin of safety as the previous two names, but that means it likely comes with better upside potential.

The food distributor was a consolidation play for a number of years. As it bought out competitors, its balance sheet got bloated with debt. This threatened the company's solvency, but things have been looking up lately. Management issued millions of new shares to pay back some of the debt, which has really taken the pressure off.

Colabor is incredibly cheap on a price-to-free cash flow basis. The company did $32 million in free cash flow in 2016. It has a current market cap of $110 million. There aren't many companies that trade at 3.4 times free cash flow. In addition, shares trade for under book value.

2017 could be even better. The company will save millions in interest costs, and investors won't have to worry about the impending bankruptcy threat.

The bottom line

Canam, Reitmans, and Colabor Group are not the kinds of companies that will generate much attention. But each are cheap on a number of different metrics, making them all compelling choices in today's overvalued market.

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nelsonpsmith