3 Stocks Trading Below Book Values That Could Be Bargains

Description

When stocks are trading below book value, that could present a significant opportunity for value investors to buy in at a low price. However, there could be important reasons a company is trading at a discount that could make the deal less attractive.

I'll have a look at three stocks that are currently trading below their book values and could present great buying opportunities.

Cameco Corp. (TSX:CCO)(NYSE:CCJ) has seen its stock price rise to over $17 earlier this year, but today it has seen a year-to-date decline of over 12%. The biggest factor working against Cameco is low uranium prices, which have reached bottoms in the past few years that were not seen since the early 2000s. At less than $20, uranium is trading at less than half of what it was at just four years ago.

Unsurprisingly, Cameco's share price was also about $20 four years ago — about 65% higher than what it trades at today. The company is also facing uncertainty relating to its tax obligations with the Canada Revenue Agency and a contract cancellation by a Japanese power company that hangs $1.3 billion of possible revenue in limbo. These uncertainties are preventing the stock price from seeing any sustained increase in price.

Cameco could make for a good long-term investment, as uranium prices do not have much more room to decline, and any significant increase could mean a tremendous impact on the share price.

Teck Resources Ltd. (TSX:TECK.B)(NYSE:TECK) is another company that is heavily dependent on commodity prices; however, the stock has been going in a different direction than Cameco. Year to date, the company's share price has gone up over 4%, and in the past 12 months, it has appreciated by over 37%. Despite the strong growth in price, the company is still trading at just below its book value.

Teck Resources, over the past five years, has typically traded below book value, so this is not unusual territory for the stock to be in. The company's stock is currently trading less than eight times its earnings, so it is definitely an attractive investment for value investors. However, the stock is ridinghigh right now because commodity prices are driving up expectations, and it may be worthwhile to waitfor a decline in share price before buying in.

Husky Energy Inc. (TSX:HSE) is another commodity-dependent stock that has seen its share price struggle this year. So far this year, Husky's stock price has declined over 10% in large part due to a disappointing second quarter in which the company posted a loss. Prior to Q2, the company was able to post profits in three consecutive quarters. Revenue, however, has increased for four consecutive quarters, and Q2 saw year-over-year revenue climb by 42%.

Oil and gas still may present some risk and uncertainty, but Husky is only a month removed from its 52-week low, so there may be more upside left in the stock than downside. This is a stock I like in the short to medium term; the long term possibly leaves a bit too much uncertainty to be able to just buy and forget it.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. NYSE:TECK (Teck Resources Limited)
3. TSX:CCO (Cameco Corporation)
4. TSX:TECK.B (Teck Resources Limited)

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