Value Investors: These 3 Stocks Are Trading Below Book Values

Description

With many stocks trading at large multiples, it is hard to find fairly priced stocks, and finding shares that are undervalued is an even greater challenge. However, just because a stock is trading at a low multiple of earnings or book value doesn't necessarily mean it is a good investment. Oftentimes, there are valid reasons why stocks are trading at such discounts, including going concern issues, overvalued assets, and many others.

I will have a look at three stocks that are trading below book values and assess whether or not these companies could be good value investments today.

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) is currently trading at a little more than half of its book value, as the shares have declined over 30% in the past six months, although the price has climbed 16% in the past month. It is no coincidence that oil prices have been on the rise the past month as well, and, ultimately, Crescent Point's share price will be impacted by whether or not the commodity can stay above $50.

In its most recent quarter, the company saw its top line grow by 24% and was able to post a positive net income for the second consecutive quarter. Although the results are encouraging, with losses totaling $845 million in the three previous quarters, it's understandable if investors would be a bit gun shy.

However, the company has improved the efficiency of its operations and reduced costs, and with a strong gross margin of 70%, the results could continue to improve.

Element Fleet Management Corp. (TSX:EFN) is a leader in fleet management, but the stock trades at just 0.9 times its book value. Earlier this month, the company sold its heavy-duty portfolio of trucks in the U.S. for $138 million as Element Fleet works at reducing its non-core assets.

In its last quarter, the company's net revenues were slightly down from a year ago, while net income declined by 63%. A big reason for the drop in net income was that the company incurred a loss from a joint venture in the amount of $40.9 million, which made up 68% of the decline in the company'sincome before taxes.

With flat sales, a declining bottom line, poor investments, and debt that is more than four times equity, it isn't a big mystery why investors have avoided this company. The stock trades at a multiple of 13 times its earnings, and even that seems a bit expensive given the risk and lack of growth the company has seen.

Morguard Corp. (TSX:MRC) owns and manages a variety of real estate in North America and also sponsors **Morguard Real Estate Inv.** and **Morguard North American Residential REIT**. With a book value over $250 per share, Morguard trades at about 72% of that value. The company has seen good growth with its latest earning showing a year-over-year revenue increase of 21%, and in the past three years, Morguard's top line grew by 83% while averaging a strong profit margin of 23%. The stock is trading at just eight times its earnings, and with strong financials and growth, it could make for an excellent value investment.

CATEGORY

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2. Investing

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2. TSX:MRG.UN (Morguard North American Residential Real Estate Investment Trust)
3. TSX:MRT.UN (Morguard Real Estate Investment Trust)
4. TSX:VRN (Veren Inc.)

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