2 Stocks Trading Below Book Value That Could Be Great Buys Today

Description

When a stock is trading below book value, that could present an opportunity to buy it at a great price. However, sometimes stock prices drop below book values for many reasons, including going concern issues, scandals, or perhaps just a lack of optimism around the company's business.

I'm going to look at two stocks that are currently trading below book value to assess whether or not either one could be a good buy today.

Teck Resources Ltd. (TSX:TECK.B)(NYSE:TECK) normally finds it share price near or below book value. That doesn't mean that the stock price isn't a bargain at 0.9 times its book value, as there are plenty of things for both value and growth investors to like about this stock.

The company has seen a lot of benefit come its way from rising commodity prices, particularly steelmaking coal. In its update last month, Teck Resources said that it expects to see an increase in its steelmaking coal sales from seven million tonnes to between 7.2 and 7.5 million. In the company's second-quarter results, it posted a record of 6.9 million tonnes sold.

This suggests the company could be on track for another great quarter. Teck Resources was on a strong upward trajectory until one of its largest shareholders, China Investment Corporation, sold 42 million shares and sent the stock plummeting. Although the purchase had nothing to do with the performance of Teck Resources, the impact on the stock went down regardless.

In its last quarter, Teck Resources saw revenues increase 62% year over year, while profits of $577 million were nearly 40 times the $15 million that the company posted a year ago. With growth like this, it is hard to imagine why investors might be undervaluing the company.

However, a big caveat to consider is that just as quickly as these numbers rose, a drop could happen equally as fast. Although Teck Resources has seen favourable commodity prices impact its top and bottom lines, a reversal of that trend could quickly send the results in the opposite direction.

Therein lies the risk that likely keeps investors from jumping in with both feet, and also why the stock doesn't even trade at eight times its earnings. However, for investors that aren't afraid to trade risk for return, Teck Resources could be a great buy.

Power Corporation of Canada (TSX:POW) is trading at a small discount with its price-to-book value sitting at 0.95. One reason why the company likely trades below book value is a result of its long-term investments, which make up nearly a third of the company's total assets.

Power Corporation is a management and holding company that has interests in many different industries, including financial services, communications, and renewable energy.

The company has been able to maintain a strong but variable top line with over $50 billion in revenue this past year, which was an increase of 33% from the year before. In 2015, revenues of $38 billion were down from $42 billion in the prior year, while 2013 sales totaled just $29 billion. It is this variability that is not helping the company's value.

Power Corporation still remains an attractive investment option for investors looking for growth and diversification, and with its fluctuating revenue, the company has been able to generate strong results.

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1. NYSE:TECK (Teck Resources Limited)
2. TSX:POW (Power Corporation of Canada)
3. TSX:TECK.B (Teck Resources Limited)

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