



Should You Buy This Oversold Auctioneer Stock?

Description

After trolling the lists of “oversold” stocks this week, there’s one that keeps coming up and might make an interesting buy. Which stock is it? **Ritchie Bros. Auctioneers Inc.** ([TSX:RBA](#))([NYSE:RBA](#)).

What makes it interesting? First off, it’s what the company does. You don’t see a whole lot of auctioneer stocks. Ritchie Bros. is an industrial auctioneer and used-equipment distributor run out of Burnaby, B.C. The company does both online and on-site auctioning. Its press releases highlight some of the items the company sells, such as cranes and trucks, so we’re not talking estate auctions here.

What makes the stock oversold?

Analysts use formulas to look at whether stocks are over or undersold. Oversold stocks have strong fundamentals and valuations that are considered cheap. Ritchie Bros. has been on a downward trend all year, starting the year in the \$50-per-share range and now trading around \$32 per share. This is not a company with horrible fundamentals, so it deserves a second look as a buy.

Ritchie Bros. by the numbers

How is the stock faring? It has a high P/E ratio at 41.68, so the earnings don’t come cheap. Its net profit margin has also been dropping from 16.51% overall in 2016 to 7.32% in the most recent quarter. For third quarter 2017, earnings per share were only \$0.11, when analysts were expecting \$0.18. Revenue was up 9% compared to Q3 2016. It was an increase in expenses that hurt the EPS. Ritchie Bros. states this was largely due to interest and amortization costs. Investors will have to determine if this was a one-time anomaly or the start of a more pervasive problem.

The stock has a decent return-on-equity number of 13.21. For income investors, the stock pays a quarterly dividend of U.S.\$0.17 per share for a yield of 2.68%. The company has a history of slowly but steadily increasing dividends.

Bottom line

The stock had lower than expected results in the third quarter, but the second quarter and fiscal 2016

results looked good. If the expenses were a one-time blip, the stock should see a rebound. This might be your chance to buy it at a discount if you're feeling optimistic about Ritchie Bros.

If you'd like to read more about recent oversold stocks, see more Fool commentary [here](#) and [here](#).

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Date

2025/08/14

Date Created

2017/11/22

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sportelance

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