3 Stocks Trading Below Book Values That Could Be Great Buys

Description

Finding good stocks to buy is hard to do these days with many being overvalued and priced expensively. One way to find a value stock is by looking at its price-to-book-value multiple. Stocks trading at less than their book values could present a great opportunity for investors to buy into the company at a discount.

Although it may be tempting to assume that a stock trading below book value is a deal, investors should not take that as a given. After all, stocks that are in the most trouble will often be trading at the biggest discounts.

Below, I have listed three stocks that are trading below book value and have a lot of potential for future growth.

Teck Resources Ltd. (TSX:TECK.B)(NYSE:TECK) relies heavily on commodity prices, and that could be one reason why the stock is trading below book value. Currently, the shares trade at a price-to-book ratio of just 0.87. Teck Resources could be a great buy at a decent discount, especially considering in Q3 the company's profits nearly tripled from a year ago.

Year to date, the stock's price has increased more than 6%, and in the last six months it has risen 13%.

The one risk investors would be taking is the company's dependence on commodity prices, specifically for steel-making coal. However, Teck Resources has taken advantage of a strong year by paying down its debt, which, at $6.1 billion, is nearly a 30% reduction from the $8.7 billion the company was carrying a year ago.

Cenovus Energy Inc. (TSX:CVE)(NYSE:CVE) has seen its share price take a beating this year with the stock reaching a new all-time low. Even though Cenovus has seen its share price rise more than 30% in just the past three months, it is still trading well below book value with a price-to-book ratio of 0.78.

The stock has seen a lot of negativity this year, and it seems to have finally put that in the rear-view mirror with the share price seeing some momentum. As the price of oil continues to rise, Cenovus might have a lot more upside to its share price.

Although the company went into the negative in its most recent quarter, in the previous three Cenovus was well into the black. There's certainly a lot to like about this stock, and there's no reason to expect it shouldn't continue climbing in price now that it seems to have finally gotten itself on the right course.

TransAlta Corporation (TSX:TA)(NYSE:TAC) trades at a big discount to its book value with a price-to-book ratio of just 0.64. The caveat for investors is that TransAlta normally does not trade much higher than its book value anyway. However, the stock is nowhere near its book value, and with year-to-date returns of just 1%, the share price could see a lot of upside.

The company hasn't had a strong performance this year with two of the last three quarters finishing in the red and the most recent seeing sales decline 5% year over year. However, in each of the company's last three fiscal years, it has been able to turn a profit, and in 2016 it saw sales grow by 6%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:TAC (TransAlta Corporation)
3. NYSE:TECK (Teck Resources Limited)
4. TSX:CVE (Cenovus Energy Inc.)
5. TSX:TA (TransAlta Corporation)
6. TSX:TECK.B (Teck Resources Limited)

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