Bargains or Busts? 3 Stocks Trading Below Book Values

Description

There are many different ways that investors can try to narrow in on stocks that provide good value. Stocks that are trading near their 52-week lows, at a low price-to-earnings multiple, or below book value are just some of the things that investors can take into consideration when looking for value.

However, there's more to consider than just ratios when determining whether a stock is a good buy or not. Companies that are distressed or facing a great deal of uncertainty will often trade at discounts, and so it's always important to look for possible reasons why a stock may be trading lower than expected.

I'm going to look at three stocks below that are trading below their book values and assess if any of these companies would be good additions to your portfolio.

RioCan Real Estate Investment Trust (TSX:REI.UN) is trading just slightly under its book value. The company has not been involved in any scandals or provided investors with any reason to be concerned about its future. In fact, the company has performed very well and has likely been weighed down by the challenges that we've seen in the retail industry in the past few years.

However, RioCan is looking at more creative solutions to avoid its dependency on retail, and this includes modernizing shopping centres to include offices, apartments, and condominiums. The stock still has a lot of potential upside left, and with a yield of nearly 6%, it provides a great monthly dividend as well.

Tahoe Resources Inc. (TSX:THO)(NYSE:TAHO) has seen its share price plummet more than 50% in the past year after losing its mining licence at its mine in Guatemala. Although the company did get the licence back, investors have not warmed up to the stock, especially after a dreadful third-quarter performance.

Tahoe trades at less than 70% of its book value, and a big reason for the discount is the risk that investors will take in holding the stock. However, with the stock up 8% in the past month, it could finally be gaining some momentum. While Tahoe has some risk, the sell-off that happened last year seems a bit extreme, and its current price should provide good value to investors.

TransAlta Corporation (TSX:TA)(NYSE:TAC) is another heavily discounted stock; it trades at a little more than 60% of its book value. The energy producer has a diversified portfolio of assets, but it hasn't been able to produce much growth over the years.

Minimal margins have also not done much to entice investors to take a chance on this stock.

A big reason for the company's low price-to-book multiple is because in the past five years, the share price has declined by more than 50%. Although it may be trading at a discount relative to its bookvalue, the company's price-to-earnings ratio is over 100 due to TransAlta's small bottom line.

The company typically hasn't traded much higher than its book value, so being at a discount is not an extraordinary event. Although the company hasn't been hit with any scandals or negative press that would scare away investors, it certainly hasn't done much to attract new buyers either.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TAC (TransAlta Corporation)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)
3. TSX:TA (TransAlta Corporation)

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