Everybody Loves a Bargain: These 2 Stocks Are Trading at 52-Week Lows

Description

How quickly things change.

These days, the number of stocks that are hitting 52-week lows has dramatically increased as the market is feeling extreme selling pressure. Whether it is due to rising interest rates, stretched valuations, trade wars, a heavily indebted consumer, the marijuana stock bubble bursting, or a combination of all of these factors, one thing is clear: the market is shifting gears, and as an investor, I think it's a good time to start looking more at defensive and value stocks.

Along these lines, let's take a look at two stocks that have hit 52-week lows. These are quality companies with strong opportunities ahead of them, and so this weakness is a good opportunity to buy.

Let's take a closer look.

Sleep Country Canada Holdings (TSX:ZZZ)

As the only specialty mattress retailer in Canada, Sleep Country Canada Holdings, with an above-industry ROE of more than 20% and a 67% increase in revenue since 2012, is a real contender in the retail world.

But Sleep Country Canada shares have declined a whopping 21% year to date, as the company's same-store sales growth has been slowing and coming in below expectations, and its multiple has contracted.

In the latest quarter, the second quarter of 2018, same-store sales growth was 4.4%. Going forward, the company has guided to grow 3-6%. This is below growth rates of more than 10% that were achieved in the past, but it's still healthy.

And I believe it is highly achievable and may come in even higher due to the massive opportunity left behind by the Sears Canada closure.

The demise of Sears presents a very big opportunity for Sleep Country, as Sears was Canada's second-largest mattress seller, and this leaves a gaping hole for Sleep Country to fill, and with its expansion plans being stepped up in the last year or so, things are progressing nicely.

Martinrea International (TSX:MRE)

Martinrea International stock has fallen 36% since the spring, after posting really solid gains in the prior year.

Trade talks, stock market weakness, and concerns over the auto cycle all played a role in this destruction.

Throughout all of this, the stock has remained very attractively valued, despite the company achieving growth rates of well above the industry (capturing market share) and continued solid margin improvements.

In the company's latest quarter, adjusted EPS increased 16.8%, as EBIT margins came in more than 200 basis points higher than the prior year.

This solid $1 billion auto-parts supplier trades below book value, despite a strong track record of growth, balance sheet strength, and strong returns, making it a solid bargain stock to consider adding to your portfolio.

CATEGORY

1. Investing

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1. TSX:MRE (Martinrea International Inc.)
2. TSX:ZZZ (Sleep Country Canada)

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