3 “Super-Value” Picks to Buy in November

Description

Howdy there, Fools. I’m back to highlight a few stocks with P/E ratios below 15 — or, as I like to call them, my top “super-value” stocks. As a quick reminder, I do this because stocks with low P/E’s:

- provide a wider margin of safety than those with high P/E’s;
- tend to come from stable and established industries; and
- generally outperform the market over a long period of time.

While it’s not a perfect measure, the P/E ratio remains one of the most useful tools to gauge quality value opportunities.

So, without further ado, let’s get to this week’s super-value stocks.

Cheap furnishings

Kicking things off is **Leon’s Furniture** (TSX:LNF), which currently sports a P/E ratio of 12. Over the past year, shares of the retail furniture giant are down 9% versus a loss of 12% for the **S&P/TSX Capped Consumer Discretionary Index**.

Bay Street is concerned that expensive consumer purchases will slow amid rising rates and a weakening economy, but as of right now, Leon’s is holding quite steady. Over the first half of 2018, adjusted net income is up 20% to $34.1 million on revenue growth of 2.4%.

In addition to a low P/E, Leon’s has an attractive dividend yield of 3.3%. With growing cash flow to back it up — free cash flow has rocketed 420% over the past three years — Leon’s is a solid income play to boot.

Scrapping parts

Next up, we have **Martinrea International** (TSX:MRE), which has an especially paltry P/E of 5.4. Shares of the auto parts specialist have fallen a significant 30% year to date, while the **S&P/TSX Capped Consumer Discretionary Index** is off 7% over the same time period.

Steel and aluminum tariffs are still in place, despite the new USMCA deal, which continues to weigh heavily on Martinrea's stock price. On the bright side, operating numbers remain stable. In Q2, management delivered its 15th straight quarter of record adjusted earnings. More importantly, the gross margin expanded 300 basis points, suggesting that the company's efficiency and sales mix continue to improve.

As long as you're able to handle big price swings — the stock is about 1.5 times as volatile as the overall market — Martinrea is worth checking out.

Power play

Sporting a cheapish P/E of eight, **Power Corp. of Canada** (TSX:POW) rounds out this week's list. Over the past year, shares of the financial holding company are down 17% versus a loss of 6% for the **S&P/TSX Capped Financial Index**.

Power Corp.'s operating subsidiaries — which include **Great-West Lifeco** and **Putnam Investments** — continue to face various headwinds. But given the company's still very strong fundamentals and inexpensive valuation, Foolish investors might want to look past that bearishness.

Power Corp. has consistently produced boatloads of cash flow through the years. And over the past 12 months, free cash flow has clocked in at a whopping $6.9 billion. When you couple that "cash cow-ness" with a juicy 5.7% dividend yield, Power Corp. is an intriguing value opportunity.

Fool on.

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TICKERS GLOBAL

1. TSX:LNF (Leon's Furniture Limited)
2. TSX:MRE (Martinrea International Inc.)
3. TSX:POW (Power Corporation of Canada)

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