3 Top “High-Floor” Stocks to Buy Right Now

Description

Hi there, Fools. I’m back again the highlight three attractive companies with rock-solid balance sheets. As a reminder, I do this primarily for risk-averse investors because businesses with little to no debt

- generally have far less volatile earnings than high-debt companies dealing with crippling interest costs; and
- have the time and financial flexibility to build steady shareholder wealth.

In other words, buying low-debt companies is a straightforward way to decrease your downside and maintain a “high floor” in your portfolio.

So, without further ado, let’s get to this week’s list.

Golden position

Kicking things off is **Centerra Gold** (TSX:CG), which has an especially low D/E of 0.1. Over the past year, shares of the gold miner are down 34% versus a loss of 12% for the **S&P/TSX Capped Materials Index**.

Weak gold prices have certainly taken their toll on the stock, but there’s good reason to bank on a long-term turnaround. Centerra remains an internationally diverse producer with total and probable gold reserves of 16 million ounces of gold. Moreover, the company has grown its annual net income and operating cash flow 52% and 411%, respectively, over the past three years.

With minimal debt and a cheapish forward P/E of 9.4, Centerra looks like a prudent way to bet on higher gold prices.

Read the situation

Next up, we have **Indigo Books & Music** (TSX:IDG), which actually has no debt on its balance sheet. Shares of the book retailer are down 32% year to date, while the **S&P/TSX Capped Consumer Discretionary Index** is down 11% over the same time frame.

While restructuring costs have hit the bottom line hard, Indigo’s massive transformation seems to be taking shape. In its recent Q2, same-store sales — a key metric in retail — managed to increase 0.7%. Online sales also continued to grow nicely, driven by strong bump in online traffic.

On the surface, Indigo looks like a shaky turnaround play. But given its zero-debt balance sheet and comfy beta of 0.3, it’s probably less risky than it seems.

Sleeper stock

With a D/E of 0.4, **Sleep Country Canada Holdings** (TSX:ZZZ) rounds out this week's list low-debt ideas. Year to date, shares of the mattress specialist are off 34% versus a loss of 7% for the **S&P/TSX Composite Index**.

2018 hasn't been kind to Sleep Country, but like Indigo, things might be starting to look up. In its recent Q3, EPS increased 4.9% as revenue grew 4.4% to $183.9 million. While same-store sales inched up just 0.2%, e-commerce sales — a key growth area for Sleep Country — more than doubled. Additionally, accessories revenue — another important source of growth — jumped 13%.

Currently, the stock trades at a cheapish forward P/E of 11.7 and boasts a dividend yield of 3.3%.

The bottom line

There you have it, Fools: three companies with low debt to help minimize the downside in your portfolio.

As always, don't consider them formal recommendations. Instead, view them as a starting point for further due diligence. Even debt-free stars can face sales and earnings pressure, so homework is still required.

Fool on.

CATEGORY

1. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. TSX:CG (Centerra Gold Inc.)
2. TSX:IDG (Indigo Books & Music)
3. TSX:ZZZ (Sleep Country Canada)

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