3 Top Value Stocks on the TSX Index

Description

Hello again, Fools. I'm back to highlight three attractive stocks with low P/E ratios. As a quick reminder, I do this for conservative investors because low P/E stocks: generally provide a wider margin of safety than high P/E stocks; tend to come from steady sectors; and outperform the market over the long haul.

It's not a perfect metric by any means. But the P/E ratio remains one of the most important tools investors have to measure value.

So, without further ado, let's get to our list.

Have a cold one

Leading things off is **Molson Coors Canada** (TSX:TPX.B)(NYSE:TAP), which currently has a trailing 12-month (TTM) P/E of 8.9. Shares of the beverage giant are down 17% over the past six months versus a loss of 1.8% for the **S&P/TSX Capped Consumer Discretionary Index**.

While 2018 hasn't been the best year for Molson, the company is heading into 2019 with some momentum. In Q3, net income increased 17.9% as net sales improved 1.8% to $2.9 billion. Operating cash flow clocked in at $1.8 billion, an improvement of $646 million from the prior year.

Looking ahead, management increased its cost-savings guidance for the rest of the year, and reaffirmed the dividend outlook.

When you add a decent yield of 2.4% to Molson's low P/E, the stock looks mighty attractive.

Powerful pick

Next up, we have **Power Financial** (TSX:PWF), whose shares sport a TTM P/E of 9.9. The financial holding company is down 22% over the past year, while the **S&P/TSX Capped Financial Index** is off 8% during the same time frame.

The stock's weak performance in 2018 presents an attractive opportunity for long-term income-oriented investors. Over the past 30 years, Power's dividend has grown at a compounded rate of 11% per year. Moreover, shareholders have achieved a compounded return of about 13.5% over the same period.

Currently, the stock boasts a particularly juicy yield of 6.1%. Combine that with a low P/E, as well as a comforting beta of 0.7 (30% less volatility than the overall market), and Power's long-term risk/reward tradeoff looks attractive.

Grocery gang

Rounding out our list of value plays is **Metro** (TSX:MRU), which currently has a TTM P/E of 6.2. Over the past year, shares of the grocery store operator are up 13%, while the **S&P/TSX Capped Consumer Staples Index** is flat during the same time frame.

Metro continues to fire on all cylinders. In its most recent quarter, adjusted earnings came in at $161 million (up from $131 million in the prior year) as sales increased 16% to $3.74 billion. More importantly, same-store sales — a key metric in the retail — grew 2.1%.

Metro's dividend has grown by more than 100% over the past five years, and by more than 300% over the past ten.

When you couple Metro's near-term operating momentum with management's long track record of shareholder friendliness, the stock might be too good to pass up.

The bottom line

There you have it, Fools: three tempting low P/E stocks worth checking out.

As always, don't view them as formal recommendations. They're simply ideas for further research. Low P/E stocks can very often be value traps, so plenty of due diligence is still needed.

Fool on.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TAP (Molson Coors Beverage Company)
2. TSX:MRU (Metro Inc.)
3. TSX:TPX.B (Molson Coors Canada Inc.)

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