3 Bargain Stocks Trading Below Book Value

Description

There are many different ways you can look to find deals on the markets, and one of them is by looking at a company's price-to-book ratio (P/B). Normally, a stock should be trading over one unless there is some inherent risk (e.g., if it's dependent on an unstable price) involved. The three stocks below all trade below their book values and could be bargain buys today.

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H&R REIT (TSX:HR.UN) is trading at a 0.9 P/B and its price-to-earnings ratio (P/E) is only 10, which suggests that investors could get a lot of value for an investment in this stock.

That being said, year to date the stock has been flat and is close to where it started the year. While investors may not be excited about REITs, they provide a great way to store savings. H&R has shown a lot of consistency in its top line, with sales being at least $286 million in each of the past five quarters.

The company has also generated a strong profit during this time, although there has been a bit more variability there. Currently, the company pays a dividend of around 6.5%.

A stock that doesn't have big fluctuations in price and pays a high yield is a good savings option. Certainly, you won't find that good of a rate at any bank.

Crescent Point Energy (TSX:CPG)(NYSE:CPG) falls into the risky category, as the oil and gas stock has struggled mightily this year, losing around 60% of its value since the start of 2018. The stock trades at an unbelievable P/B of just 0.24.

And although a lack of profitability has been an issue for the company, in its latest quarter it was able to squeak out a small profit while posting revenue growth of 40%. With production cuts looking to boost oil prices for Western Canada Select, things could actually improve for Crescent Point and other oil and gas stocks.

Make no mistake: this is definitely a risky stock to own, but the reward could be significant for investors that take a chance on it. Consider that it was only a year ago that the stock was regularly over $9 a share, and it is now close to one-third of that.

Home Capital Group (TSX:HCG) has come a long way since early 2017 when it ran into all sorts of problems. However, although it has recovered, the stock is still trading below its book value at a P/B of 0.7. The company has generated some good quarters since then and liquidity has improved significantly.

Unfortunately, the stock has still had a lacklustre 2018; its share price is down by more than 4%. However, the company has posted a profit in each of the last five quarters along with a strong, stable top line.

Many investors may still be seeing the stock as being risky given its history, but it has moved on from that and proven that it could be a worthy investment. There's a lot of potential upside for Home Capital to rise as it is still about half the price it was before the stock went over a cliff last April.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:HCG (Home Capital Group)
3. TSX:HR.UN (H&R Real Estate Investment Trust)
4. TSX:VRN (Veren Inc.)

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