3 Stocks Trading Below Book Value That Could Be Bargains

Description

When a stock is trading below its book value, it could be a sign that something has gone wrong or that the stock has simply been oversold. The three stocks below look to have fallen into the latter category and could have a lot of upside for investors that decide to take a chance on them today.

WestJet Airlines (TSX:WJA) is slightly below its book value at a price-to-book ratio of 0.9, and the stock could be poised for a very strong year. With oil prices coming down in recent months, that will help reduce one of its biggest costs, which could mean a stronger bottom line. The introduction of new discount airliner Swoop will also help attract price-conscious consumers that have been using Flair Airlines and other low-cost carriers to cut down on travel spending.

Sales growth has been a problem for WestJet, as in its most recent quarter its top line was up just 3.7% year over year in strong economic times. Being more aggressive on price will help bring in more traffic, which will result in those numbers being much stronger in future quarters.

The stock has fallen nearly 30% in the past year, and it could be a good time for investors to buy at a reduced price. It also pays investors a great dividend.

Seven Generations Energy (TSX:VII) has produced some strong numbers, but being an oil and gas stock, investors have not been very bullish on it. In the past year, Seven Generations stock has declined by 34% and it too is trading at around 0.9 times its stated book value. In the past month, it has started to show signs of life as it has risen by nearly 20%.

The company has been growing at an incredible rate over the years, and in its most recent quarter its sales were up more than 80% year over year. And with a profit margin of over 20%, you'd expect the stock to be soaring. However, that hasn't been the case, and with the share price reaching highs of over $19 in the past year, there could be tremendous upside for the stock if it can continue to rally.

Canfor (TSX:CFP) is trading a shade under its book value as it has been one of the ones hit badly in the past three months, losing 30% of its value during that time. While it has recovered since hitting a low back in mid-December, it’s still a great value buy today. The stock trades at a price-to-earnings multiple of just four and is well-priced for investors looking to get a deal.

In its most recent quarter, sales were up over 13%, and Canfor has generated a strong profit in each of the past four quarters. The company has operations in various parts of North America, and that gives it many opportunities to grow. New homes and renovations will continue to drive a lot of demand for the company’s products. Over recent years we’ve seen a lot of hurricane damage create lots of demand for softwood lumber as well, making it a bit of a necessity. There’s no imminent danger of the company running out of work anytime soon.

The stock has fallen sharply since hitting a peak price of over $34 last year, and it’s overdue for a big recovery.

CATEGORY

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