Are Any of These Bargain Basement TSX Stocks Worth Buying?

Description

Trawling through the lists of possibly undervalued stocks, the following three TSX index tickers display some deep discounts against their projected cash flow values, as well as some low multiples. But are they a buy? Let's review the data and check what their track records look like, as well as any trailing dividend yields that might be calculable.

Transcontinental (TSX:TCL.A)

A common sight on the possibly undervalued Canadian stock lists, Transcontinental saw a one-year past earnings growth of 1% just about outperform a gloomy commercial services average of -2.9%. However, a hard year has only put a dink in an otherwise positive five-year average past earnings growth of 31.2%.

Moving on to valuation, we can see a low P/E of 8 times earnings matched with a P/B ratio of 1.1 times book, showing that in terms of assets you'd be getting good value for money. What value investors would be stacking shares of Transcontinental for is a dividend yield of 4.04%. However, with a high debt level of 89.4% of net worth and low 0.8% expected annual growth in earnings, it's not for the risk-averse or for those looking for one- to three-year growth in their dividends.

Equitable Group (TSX:EQB)

A discount of 41% against the future cash flow value marks Equitable Group as a bargain basement stock worth a closer look. Take a one-year past earnings growth of 2.6% that underperforms the industry by about 80% if you want an idea of a recent track record, though overall, it outperforms a five-year industry average of 8.4% with its own 12.7%.

An acceptable proportion of non-loan assets on its books, this is a healthy ticker for your TFSA or RRSP. However, a dividend yield of 1.69% could be a bit higher, and at 8.9% expected annual growth in earnings, the outlook is not significantly high for the next one to three years. With low market fundamentals such as a P/E of 6.8 times earnings and P/B of 0.9 times book, the real draw here is for value investors.

Lundin Mining (TSX:LUN)

With negative -22.5% year-on-year earnings, Lundin Mining had an overall positive five years with an average earnings growth of 20.1%. With a 23.6% expected annual growth in earnings over the next couple of years, investors can expect a rising share price and the chance of capital gains.

Interested parties should get in now while this mining stock is potentially undervalued: look at a P/E of 10.2 times earnings that handily beats the TSX index average, and a P/B ratio of 0.8 times book. Further indication of undervaluation is visible in a share price that's currently 41% below the future cash flow value.

The bottom line

While all three of the bargain basement stocks listed above would be welcome in a value investors shopping basket, Lundin Mining is without a doubt the best of the bunch, with that cheery outlook over the next couple of years and strong position in a key defensive industry. Transcontinental may be worth a punt if you like those dividends, while Equitable Group may interest those looking to pad out the financials section of their Canadian stock portfolio.

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1. Bank Stocks
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TICKERS GLOBAL

1. TSX:EQB (EQB)
2. TSX:LUN (Lundin Mining Corporation)
3. TSX:TCL.A (Transcontinental Inc.)

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