4 Punchy Canadian Stocks Trading Below Book Value

Description

Let's take a look at four stocks on the TSX index that are currently trading below their per-asset valuation. The following stocks come from the tech and mining industries, with a high-profile REIT thrown in for good measure. With P/B ratios below one, are they underperforming or just good value? A quick sift through their stats should give us a few clues.

Maxar Technologies (TSX:MAXR)(NYSE:MAXR)

A front-line TSX index tech stock, Maxar Technologies is deeply undervalued at the moment, trading at a discount of more than 50% off its future cash flow price with a very low P/B of 0.2 times book. With a negative one-year and five-year past earnings growth rates, this isn't a strong pick for investors with either a focus on recent track record or a hearty balance sheet.

That said, ore shares have been bought than sold by Maxar Technologies insiders over the last few months, and in significant volumes, which is why this stock made the team. It pays a high dividend yield of 17.35%, caused by that big undervaluation and is projected to rise to over 18% next year if undervaluation continues. Meanwhile, a high 69.6% expected annual growth in earnings makes for another solid reason to get invested.

Morguard Real Estate Investment Trust (TSX:MRT.UN)

A strong play for indirect property investment, Morguard REIT keeps its head above water with a one-year past earnings growth of 8.5% that beats a negative five-year average rate. Though it carries a debt level of 85% of net worth, this does represent a reduction over the last five years and is not uncommon for an REIT at the moment.

A 43% discount and market-beating P/E of 10.4 times earnings confirms undervaluation in this doughty ticker that's currently trading at half its book value. Reasons to buy include a sizeable dividend yield of 7.71% backed by a meagre-but-positive 2.4% expected annual growth in earnings.

Teck Resources (TSX:TECK.B)(NYSE:TECK)

A stock that's known for its prolonged upward runs post-2016, Teck Resources may be down 1.44% in the last five days, but the share price has been generally rising since last October. Add to an upward trending price a one-year past earnings growth of 23.8% and average five-year rate of 40.2% and you have an outperforming stock with a healthy balance sheet (see an acceptable debt level of 24% of net worth). A low P/E of 5.6 times earnings matches a P/B of 0.7 times book, confirming undervaluation.

Turquoise Hill Resources (TSX:TRQ)(NYSE:TRQ)

Though his mining stock dived last March, it may have finally touched the bottom, having reached an uneasy three-month plateau around the $2.40 mark. Discounted by more than eight times its value per future cash flow, its P/E of 10.2 times earnings and P/B of 0.4 times book don't seem to do justice to what is essentially a solid stock.

Turquoise Hill Resources had a good year, with earnings growth of 61.7% easily beating its five-year average of 1.4%. Throw in a bit of insider confidence (more shares have been snapped up than ditched by Turquoise Hill Resources insiders of late) and a projected 15.3% annual growth in earnings and you have a potential value opportunity.

The bottom line

It's a tough call to decide whether undervaluation represents a serious flaw with a stock. While none of the tickers above are perfect, they each have strong potential, be it in dividends, track record, overall health, or future prospects. Depending on one's investment style, any one of the above stocks could bring potential income to a mid- to long-term personal portfolio owner with an instinct for timing.

CATEGORY

1. Dividend Stocks
2. Investing
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4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:MAXR (Maxar Technologies)
2. NYSE:TECK (Teck Resources Limited)
3. NYSE:TRQ (Turquoise Hill Resources)
4. TSX:MRT.UN (Morguard Real Estate Investment Trust)
5. TSX:TECK.B (Teck Resources Limited)
6. TSX:TRQ (Turquoise Hill Resources)

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