



Revealed: 3 Dirt-Cheap Value Stocks Trading Under \$10

Description

It's been a tough few years for value investors, who have seen cheap stocks languish while their peers chase high flyers.

But many of the best value investors are convinced the investing method will have its day in the sun once again. Remember, value investing tends to outperform when overall stock market averages fall, and we really haven't seen a bear market since 2011. When most stocks are falling, investors will want to get exposure to non-correlated parts of the market.

Let's take a closer look at three of Canada's cheapest value stocks — companies that offer a compelling reason to load up on their underpriced shares today.

Crescent Point Energy

Don't get fooled by the recent run-up in its shares. **Crescent Point Energy** (TSX:CPG)(NYSE:CPG) is still one of the cheapest stocks in the energy sector, which is perhaps Canada's cheapest sector. In fact, a few weeks ago I said Crescent Point could indeed [be Canada's cheapest stock](#).

Shares are up approximately 40% since I penned that article, and I think they have a whole lot more upside potential.

Crescent Point focuses on light sweet crude that is cheap to take out of the ground. This is a smart strategy no matter what the underlying energy market is up to, but it's particularly cunning today. Fixed costs stay the same, while the price of oil is bumping up against US\$65 per barrel. That's a recovery of approximately 50% versus December lows.

Shares trade at approximately one-third of the value of the company's reserves, which were valued at \$13 per share back when crude was sitting at approximately US\$55 per barrel. And if crude averages US\$60 per barrel this year, Crescent Point could generate some \$700-800 million in free cash flow. Not bad for a company with a \$3.1 billion market cap today.

Air Transat

Transat A.T. (TSX:TRZ), which is a distant third in [Canada's airline pecking order](#), has seen recent poor results pull down its share price to ridiculously cheap levels. This should bode well for long-term buyers.

Like its competitors, Air Transat has been hurt by rising jet fuel prices. Hedging helps, but there's only so much that can be done. The company's recently concluded first quarter showed more of the same results, with a net loss of \$0.96 per share excluding one-time items. Ouch.

But the future looks more rosy. The company is in the middle of an ambitious project to cut overhead. It is also expanding into the hotel market, which should be a more dependable income stream. It recently started construction on its first Mexican hotel. And the company has the balance sheet strength to weather this storm, with more than \$600 million in cash.

Investors are buying shares for a price-to-book value ratio of just 0.4. It doesn't get much cheaper than that.

Slate Office

Slate Office REIT (TSX:SOT.UN) made headlines a few weeks ago when it announced a massive dividend cut. Distributions went from \$0.75 per unit annually to \$0.40. Shares dropped more than 10% on this news and haven't recovered, trading at close to a 52-week low.

But investors who focused on the dividend cut missed that underlying results weren't so bad. The company generated \$0.79 per unit in funds from operations (FFO) in 2018, with even better results expected in 2019 as occupancy improves. That puts shares at just 7.6 times FFO. You won't find many cheaper REITs on a price-to-FFO basis.

The company is also trading at a pretty significant discount to its net asset value. Slate Office pegs its value at \$8.55 per share. As I write this, shares are trading hands at \$6.02. That's a 30% discount — one of the widest gaps in the Canadian REIT world.

And remember, investors are still collecting a 6.6% dividend while they wait for Slate Office shares to recover.

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