



Is This Bargain TSX Stock a Buy in a Down Market?

Description

Canadian investors are wondering where they can find decent returns in the [turbulent stock market](#). Some are buying into the fear and holding onto their cash until the smoke clears. Overcoming that stress is the best decision in the down market.

Buying low and holding for a lifetime is the key to making money in the stock market. Every Canadian should be researching stocks in defensive industries like utilities, banking, and insurance.

These are heavily guaranteed stocks, which will return a combination of high dividends and above-average price performance over the next 10 years.

As the market gets hammered, many stocks may jump out as undervalued must-haves in your retirement portfolio. Before you hit the buy button, make sure you thoroughly research the stocks.

Resolute Forest Products ([TSX:RFP](#))([NYSE:RFP](#)) is certainly a bargain-bin stock, but is it a buy in a bear market? The company is once again posting positive earnings after years of consecutive losses.

Great price relative to financials

There is a new CEO in town: Two years ago, Yves Laflamme began his tenure as CEO at Resolute Forest Products, and he seems to be working out.

Given the reported diluted earnings per share (EPS) of \$2.35 for 2018, things may be turning around for the company. Previous years saw negative earnings due to distracting lawsuits and poor management.

Resolute Forest Products is no doubt undervalued on many fronts after losing over 60% of its market value in the past year. The price-to-book (P/B) ratio is unbelievably cheap at \$0.34 per share.

The P/B ratio is the market value divided by the net assets of the company. A P/B ratio lower than \$1 per share means that investors can buy these net assets at a discount. In a sense, shareholders are

selling the net assets of the company for less than the actual underlying value.

Shareholders have some harsh words for management

Investors lost faith in this company due to failed lawsuits weighing down earnings. One shareholder commented on the corporation's history of instigating wasteful lawsuits against environmental activists: "Someday RFP may reward shareholders with a positive surprise instead of charge after charge after charge. Time to get focused management team and stop all the nonsense."

Resolute Forest Products has been suing environmental organizations like Greenpeace and Stand.Earth for defamation and racketeering with seemingly little benefit for shareholders.

Another shareholder seems to be pleading for an activist investor to take up their case: "We simply need an activist investor to step in. Capital allocation used in the most effective manner would make this stock fly up to its intrinsic value."

If there are any activist investors of the Paul Singer type reading this, maybe you could volunteer to help shareholders in this grossly [undervalued company](#) get some justice.

Foolish takeaway

Changes in management can be an active catalyst for growth. The right leader can turn around any distressed corporation. The same is true of Resolute Forest Products.

Canadian investors should keep an eye on Resolute Forest Products and see if this struggling lumber company can turn over a new leaf.

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