2 Dividend Stocks Trading Below Their Book Value

Description

The tangible book value of stocks is often overlooked. The combined value of all assets, minus all the liabilities, of a company should be a key ingredient of valuations. Warren Buffett himself heavily relies on the book value per share as a measure of a company's intrinsic worth.

Admittedly, the measure is less useful for technology or service companies because of the asset-light nature of their business models. However, for more traditional companies with steady dividends and simple business models, this measure is crucial.

Buying a stock for less than its book value is like buying a company for less than it is worth, which is the core principle of value investing. Receiving a dividend from such a stock is just icing on the cake. With that in mind, here are two well-known companies with straightforward business models, hefty dividends, and household brands, and both are currently trading at less than book value.

Brookfield Property

Alternative investment giant **Brookfield Asset Management** has earned its reputation as a solid wealth creator. In recent years, the company has spun out its subsidiaries to offer investors a chance to bet on its niche strategies.

The company's real estate subsidiary, **Brookfield Property Partners** (TSX:BPY.UN)(NASDAQ:BPY), is perhaps the most well-known. The firm is designed as a real estate investment trust (REIT) that manages a portfolio of commercial assets across the world. The diversity of the property portfolio makes this firm's income stream strikingly robust.

At the moment, the combined value of all these assets, the stock's underlying book value, is worth roughly 10% higher than the stock price. In other words, buying BPY is like buying a professionally managed basket of real estate for a 10% discount.

Let’s not forget that BPY, like any other REIT, offers a steady and lucrative dividend. At its current price, the dividend yield is 5.11% on a trailing basis and 6.8% on a forward basis. This combination of high yield and low valuation makes Brookfield Property the ultimate value investment.

Molson Coors Canada

Similarly, well-known beer giant **Molson Coors Canada** (TSX:TPX.B)(NYSE:TAP) is also a bargain hunter’s dream.

North America’s second-largest beer maker is already on solid financial footing. While investors can’t expect double-digit growth, they can expect handsome margins and steady dividends from the beverage giant.

The company is also expanding its product portfolio with forays into low-alcohol and non-alcoholic beverages, while launching its brands in emerging markets across the world. This global diversification makes the company’s cash flows much more robust.

At its current price, the company offers a 3.4% dividend yield, roughly a fifth higher than the market average. Meanwhile, the company’s assets include a 57.5% ownership interest in cannabis producer **Hexo** and $315.8 million in cash and cash equivalents.

Altogether, those underlying assets are worth $12 billion, which is 22.5% lower than the company’s market capitalization at the time of writing. In other words, the stock is trading at a 22.5% discount to book value per share.

Foolish takeaway

There’s no better deal than buying a stock for less than its accounting net worth, and Brookfield Property Partners and Molson Coors Canada both seem to be offering this deal at the moment. Value-oriented investors should probably take a closer look.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TAP (Molson Coors Beverage Company)
2. TSX:BPY.UN (Brookfield Property Partners)
3. TSX:TPX.B (Molson Coors Canada Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred

4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/01
Date Created
2019/11/27
Author
vraisinghani