



2 Top Canadian Value Stocks to Buy Right Now

Description

Value investing has long been the most popular form of investing. Legendary investors Warren Buffett and Benjamin Graham are two of the most successful Wall Street investors and both have emphasized the importance of picking value stocks.

According to *Investopedia*, “A value stock is a stock that trades at a lower price relative to its fundamentals, such as dividends, earnings, or sales, making it appealing to value investors.”

Here we look at two such Canadian stocks with significant upside potential given their current valuation that should outperform broader markets in the coming years.

Linamar Corp.

Linamar Corp ([TSX:LNR](#)) is a Canadian-based diversified manufacturing company in the automobile space. The company manufactures metallic components and systems for engines in the global vehicle market.

Because of the ongoing slowdown in the worldwide automobile market, Linamar is [struggling with slowing sales](#). While the company’s sales rose from \$6 billion in 2016 to \$7.62 billion in 2018, the company is estimated to fall to \$7.5 billion in 2019.

Analysts expect company sales to reach \$7.56 billion in 2020 and then decline to \$7.48 billion in 2021. This decline in revenue has severely impacted Linamar’s stock price.

The stock was trading at \$78 per share back in October 2017. It has since lost 43% in market value to trade at \$44.5 at writing.

The revenue decline will also drive Linamar’s profit margins lower. Analysts expect company earnings to fall by 16% in 2019 and 2.6% in 2020. However, its earnings are estimated to rise by an annual rate of 23.7% between 2020 and 2023.

The massive erosion in market value has meant that Linamar stock is trading at a forward price to earnings multiple of 6.2. Its price to sales multiple stands at 0.39, while the price to book ratio is 0.73. The stock has an estimated 5-year PEG ratio of 0.65.

Linamar's market cap to sales ratio stands at 0.39 while its EBITDA to sales ratio is low at 0.62. The company also has a forward dividend yield of 1.1%. Analysts tracking Linamar have a 12-month price target of \$50.2, which is 13% above the current trading price.

Mullen Group

Mullen Group ([TSX:MTL](#)) is a Canadian-based trucking and logistics company. It provides logistics and freight services to transport commodities such as cable, pipe and steel, compressors, cement among others.

Shares of Mullen Group have been declining steadily over the years. The stock has lost 64% in market value since April 2015 and has witnessed a pullback in its stock price despite strong earnings growth.

Mullen Group sales have risen from \$1.035 billion in 2016 to \$1.261 billion in 2018. Analysts expect sales to reach \$1.36 billion by 2021.

Comparatively, the company's earnings rose by an annual rate of 20% in the last five years. Earnings growth is estimated at an annual rate of 17% in the next five years.

The drop in Mullen Group's market value has meant that the stock is trading at a forward price to earnings multiple of 13.5. Its price to sales multiple stands at 0.66, while the price to book ratio is 0.92. The stock has an estimated five-year PEG ratio of 0.67.

Mullen Group's market cap to sales ratio stands at 0.66, while its EBITDA to sales ratio is reasonably low at 1.08. When you account for the stock's attractive forward dividend yield of 7.4%, we can see that it's trading at a cheap valuation.

Analysts tracking Mullen Group have a 12-month price target of \$11.58 which is 43% above the current trading price.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:LNR (Linamar Corporation)
2. TSX:MTL (Mullen Group Ltd.)

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