2 Value Stocks for June

Description

As an investor, you would expect good companies to be trading for a premium whereas less attractive businesses would offer more reasonable valuations. However, every so often, there are good companies that trade rather cheaply. In this article, we will look at two Canadian companies that look like compelling buys at their current valuation. One is intriguing on a short-term outlook and the other makes more sense in the long-term.

Taking advantage of stimulus checks

By now, you should have heard of the Canada Emergency Response Benefit (CERB). While many people do use their government checks to cover expenses, there are bound to be some people that either do not or that end up with some money left over. What they do with the extra money is an interesting thing to consider.

Keep in mind, while certain things are re-opening, most places are still closed at the moment. There are no schools or summer camps for children, no indoor activities to attend like movie theatres or sports games. Frankly, you would be hard pressed to find a nice restaurant to eat out at. What does that leave? Well, many families have been taking the opportunity to spend more time outside.

This is where **BRP Inc** (TSX:DOO)(NASDAQ:DOOO) comes in. With the extra money some families have, some may choose to spend some of that on equipment when they go on their outdoor excursions. BRP is a manufacturer of jet skis, off-road vehicles, fishing boats, and more. It seems completely reasonable that some families may try to make the best out of an otherwise unfortunate situation and splurge this summer.

The company is currently trading with a 15.35 trailing price to earnings ratio and a very low price to sales ratio of 0.79. BRP stock has performed quite well in recent months, increasing 165% since the market bottom. We are in the heat of the summer and it may not be too late to jump into this stock for the short term.

A misunderstood music provider

When someone mentions music stocks, the companies that come to mind are likely going to be **Spotify**, **Apple**, and **Amazon,** as they're are targeted directly to consumers. But think for a moment about the other music you hear.

When you listen to the music playing on store radios or the music stations on television, have you ever thought about the company responsible for that service? There is a good chance the company providing that music is **Stingray Group** (TSX:RAY-A).

Historically, Stingray has had two main channels of revenue: its business-to-business music distribution, which is responsible for the music you hear at your local **Walmart**, and television music stations. However, the company has recently expanded into radio stations and it has struck distribution partnerships with the likes of Apple, Amazon, and **Roku**. These two new sources of revenue greatly strengthen Stingray's chances of success.

Stingray is currently trading with an astonishingly low forward price to earnings ratio of 5.65 and a price to sales ratio of 1.1. Over the past year, its stock has declined 21%, but this company is certainly a good one to watch over the long-term.

Stingray has a market cap of just under $260 million, which means if it can reach the larger end of the spectrum for a small cap company (i.e., $2 billion), you could nearly 8X your investment. To get there, Stingray will have to keep growing its new revenue streams and keep showing that the company can make deals with big players.

Foolish takeaway

If you want to invest in good companies, you do not have to pay such a high premium every time. Sometimes good companies are undervalued by the market, even if they are experiencing tailwinds in the short- and long-term.

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jedlloren