



Canadian Value Stocks: This Gold Stock Is a Screaming Buy!

Description

The best investments are when you can find high-quality stocks trading at a significant discount. A lot of the stocks that trade undervalue do so for a reason. It's a lot rarer to find high-quality Canadian stocks that are trading below their fair value.

Over the last year, there were several of these opportunities. However, once the majority of the market had recovered from the pandemic, only the [hardest-hit stocks](#) remained undervalue.

Today, most stocks are trading at or above their fair value, especially the best long-term companies. So, it's a lot harder to find solid Canadian value stocks that you can be confident in over the long term.

With that being said, one major exception today is **B2Gold** ([TSX:BTO](#))(NYSE:BTG). B2Gold is down 20% over the last three months, while the price of gold is down just 4%.

Why is B2Gold so cheap?

Ever since gold saw a massive rally in 2020, prices have slowly been coming back down. This has caused all gold stocks to fall in value.

[Gold stocks](#) are leveraged to the price of gold. This means that as prices rise, shares rise faster. However, when the price of gold is falling, the stocks will decline faster. Although, that doesn't account for why B2Gold is down five times as much as the price of gold over the past three months.

The massive fall in B2Gold shares has created incredible value for investors, as you'll see below. And when you consider it's one of the top gold stocks in the industry, you'll quickly see why it's so attractive today.

The Canadian value stock has a tonne of potential even at these gold prices. It's one of the lowest-cost gold producers you can buy. Management is consistently executing and hitting on its goals. Plus, the company is continuously growing production. 2020 was the 12th consecutive year that B2Gold grew its gold production.

All of this makes it one of the most attractive long-term growth stocks you can own.

B2Gold: The top Canadian value stock?

As I mentioned above, one of the main reasons the Canadian value stock has sold off so significantly is due to the falling gold price lately. While this is not surprising, it's creating a tonne of value and opportunity for investors.

On Friday, the price of gold closed at roughly US\$1,730, which is similar in price to the second quarter of 2020, where B2Gold reported an average selling price of US\$1,719. During that quarter, B2Gold reported earnings per share of \$0.16, or \$0.64 on an annual basis.

We already saw that B2Gold is rapidly growing its production each year. But even if you assume its production stays flat. At the current price of gold, the company should be able to earn roughly \$0.64 in EPS this year.

So, at Friday's closing price of \$5.54, the Canadian value stock trades at a forward price-to-earnings ratio of just 8.7 times.

Of course, the price of gold will fluctuate throughout the year, but gold stocks, including B2Gold, should follow it. So, to see it at such a cheap discount today goes to show how much potential there is. And this was a conservative estimate, assuming no growth in gold production throughout 2021.

Nearly half of its 55% growth in revenue the last year was attributable to its growth in production. This is positive, because it shows that B2Gold can grow its business and shareholder value, regardless of whether the gold price is increasing. With that being said, though, like any gold miner, an increasing gold price clearly makes a significant difference.

Bottom line

There are plenty of catalysts for the price of gold to increase over the next year. However, even at today's prices, B2Gold is well undervalued. The company has no net debt and even pays a 3.7% dividend.

So, if you're looking for a top long-term Canadian value stock to buy today, B2Gold is trading at an incredible bargain.

CATEGORY

1. Dividend Stocks
2. Investing
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TICKERS GLOBAL

1. NYSEMKT:BTG (B2Gold Corp.)
2. TSX:BTO (B2Gold Corp.)

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