



This Cheap Crypto Stock Might Be Significantly Undervalued

Description

Sometimes, it's better to buy the chicken that lays the eggs as opposed to the eggs. Like how investors in the "olden days" used to buy gold miners in lieu of gold, we can now buy crypto miners instead of coins.

That being said, not all crypto miner stocks are equal. Many have come and gone during the great **Bitcoin** pump of 2021, and some have already experienced that rocket ship growth we're all after and are now on a free fall into obscurity.

However, I think that there are still a few gems on the TSX worth looking further into. In particular, I think **HIVE Blockchain Technologies** (TSX:HIVE)(NASDAQ:HVBT) offers a great combination of solid fundamentals, low price, and potential growth as of right now.

The case for HIVE

HIVE Blockchain Technologies was the first publicly traded Canadian crypto miner. The company strives to create long-term shareholder value by maintaining low-working capital requirements, allowing it to hold many of the cryptocurrencies it mines on its balance sheet for strategic sales to maximize profit.

It seems to have paid off in light of the crypto bull market. At the time of writing, HIVE's fundamentals are astonishing, with a ROA of 51.90%, ROE of 64.90%, and ROI of 25.10%. HIVE has a gross margin of 89.30%, operating margin of 77.40%, and a profit margin of 76.40%. The company has low debt, with a long-term debt-to-equity ratio of just 0.16 and current ratio of 14.90. These metrics point to a profitable company that is able to consistently execute on its strategic plan.

Is HIVE on sale right now?

HIVE currently trades at a price of \$3.67 per share, or around 49% below its 52-day all time high of \$5.75, and it has a P/E of 8.40. P/S of 8.98, and P/B of 3.20. Compared to industry peers, HIVE

appears to be fairly priced. However, I think that HIVE's fundamentals are more closely tied to the movements of the broader large-cap crypto market at large as opposed to peers of similar valuation.

Due to their strategy, a rebound in the crypto market would lead to an increase in the company's value, owing to the substantial crypto reserves it has stored on the balance sheet, which it can sell for a massive profit. For this reason, I think the recent -25% pullback in the crypto space created an excellent entry opportunity to buy HIVE stock.

The Foolish takeaway

Buying crypto miners vs. actual crypto has several advantages. Firstly, you can gain exposure to crypto assets in a Tax-Free Savings Account or Registered Retirement Savings Plan. Second, the small-cap nature of many of these companies offers commensurate returns for the risk, leading to potentially explosive opportunities for 10 times growth. Finally, they're safer, having to comply with the disclosure requirements imposed by the stock exchanges and securities regulators that many unregulated "meme coins" don't have to.

CATEGORY

1. Cryptocurrency
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