3 Stocks That Are Bargains at Today’s Prices

Description

We are currently in an environment where many stocks could be described as bargains. The stocks on the Toronto Stock Exchange (TSX) are collectively down 5.85% for the year, which is less than the amount by which U.S. stocks have declined (17%) but still substantial.

In an environment like this one, buying opportunities abound. History shows that stocks as a group tend to recover after they go down in price, leading to above-average returns for those who buy low. If the future looks like the past, then the present moment is a good time to buy. With that in mind, here are three stocks that look like bargains at today’s prices.

Royal Bank

Royal Bank of Canada (TSX:RY) is Canada’s biggest publicly traded company. It’s a well-known bank that has stood the test of time, having paid dividends for over 100 years.

RY is in pretty much the same boat as other banks as far as valuation is concerned. It trades at 11.5 times earnings, 1.8 times book value (assets minus liabilities), and 5.5 times book value. These are all pretty typical bank multiples. Where RY differs is in its long-term track record. Royal Bank of Canada is Canada’s oldest bank. It’s older than the Bank of Canada itself! It has a long-term track record of financial responsibility, with not a single “potential failure” incident in its entire history. For long-term stability, it’s hard to beat RY.

Suncor Energy

Suncor Energy (TSX:SU) is a Canadian energy stock that’s even cheaper than Royal Bank. At today’s prices, Suncor trades at just 6.5 times earnings, 1.78 times book value, and about five times cash flow. By all accounts, this is a very cheap stock. Normally, you expect a company this cheap to have issues with profitability or debt, but when you look at Suncor’s recent earnings, you will see that that’s not the case. In its most recent quarter, Suncor delivered the following:

- $4.47 billion in funds from operations, up 69%
- $2.56 billion in operating earnings, up 150%
- $466,000 in barrels of oil per day produced, up 1.3%
- A $1.8 billion reduction in net debt

Overall, a solid performance from Suncor. Even with oil prices going down in the third quarter, the company managed to deliver strong growth on a year-over-year basis. As long as oil prices stabilize where they are now, the company will be profitable, and its stock is very cheap.

Alibaba

Alibaba Group Holding (NYSE:BABA) is a Chinese tech company that helps people sell goods online. It's China's biggest e-commerce company with a huge network of vendors who sell items in China and worldwide. You may never have bought items on Alibaba or AliExpress, but you've probably bought items that originated from these stores. Alibaba is a big supplier to Western e-commerce vendors. A lot of people will buy items from China in bulk on Alibaba and sell them to Canadians and Americans at a markup. Alibaba gets a sale, a local Canadian business gets a sale, and you get a product that wouldn't otherwise be available. It's a win-win situation.

Alibaba is a large and thriving business, but its stock is very cheap. At today's prices, it trades at just 10.8 times earnings, 1.67 times sales, 1.46 times book value, and 9.8 times cash flow. A very good deal for a business that's so vital to the global economy.

CATEGORY

1. Investing

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2. TSX:RY (Royal Bank of Canada)
3. TSX:SU (Suncor Energy Inc.)

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