



## A First Step To Finding A Potential Winner

### Description

How do you pick amongst the 1,500 stocks on the Toronto Stock Exchange? A selection that can be overwhelming to say the least. Half the battle is simply narrowing the field—intelligently. Investors need tools that help them to zero in on the very best stocks that are out there. Here's one of my favourite screens, aimed at uncovering profitable large cap stocks in the S&P/TSX Composite likely trading at a discounted valuation.

Metric	Parameter	Value
Market Capitalization	>	\$5 billion
Price/Book Value	<	2.0
Price/LTM Norm EPS	<	13
LTM ROE	>	10%

Tabled below are the names that the screen returned. A brief rundown on each follows.

Company Name	Market Cap (MM)	P/BV	P/E	ROE
National Bank of Canada	\$12,449	1.94	10.3	20.8%
Pacific Rubiales Energy	\$7,073	1.98	9.99	20.7%
Magna International	\$11,869	1.32	12.3	16.0%
Bank of Montreal	\$40,196	1.53	12.5	14.5%
Barrick Gold	\$33,592	1.38	10.7	12.9%
Suncor Energy	\$50,885	1.19	12.6	11.2%

Source: Capital IQ

**National Bank of Canada** ([TSX:NA](#)) – Sometimes an afterthought when it comes to Canadian banking, National's dominate business in Quebec as well as its capital markets division offers an intriguing financial services combination. A name to keep in mind in a down market.

**Pacific Rubiales** (TSX:PRE) – An oil and gas producer with properties in Colombia, Peru, and Guatemala. The company recently released guidance for 2013 which projects production growth of 15-30% and capital spend of \$1.7 billion. The bulk of this capital will be put towards exploration in Colombia. Given the company's valuation, the market is seemingly taking a wait and see approach to these aggressive targets.

**Magna International** (TSX:MG,NYSE:MGA) – One of the world's leading auto parts producers, Magna is well positioned to benefit from a continued rebound in North American auto sales. The company's European exposure remains a source of concern.

**Bank of Montreal** (TSX:BMO,NYSE:BMO) – BMO's success in the coming years is likely to be dependent on how well it is able to integrate its acquisition of Marshall and Ilsley, a mid-western U.S. based bank that was acquired in 2011.

**Barrick Gold** (TSX:ABX,NYSE:ABX) – Barrick, along with most gold producers, has significantly lagged the performance of the underlying commodity in recent years. For some investors, this may indicate opportunity, however, there are structural influences behind this underperformance that are unlikely to reverse, at least in the near to mid-term.

**Suncor Energy** (TSX:SU,NYSE:SU) – One of the big boys in Canada's energy patch, Suncor continues to digest its 2009 acquisition of Petro Canada. Its diverse mix of upstream and downstream assets makes it somewhat less susceptible to energy prices than many of its peers, however, the stock's future direction is likely to continue to be dictated by the price of oil.

**Canadian Tire Corp.** ([TSX:CTC.A](#)) – The Canadian retail space in general has been under heavy fire from U.S. retailers that have run out of growth opportunities south of the border. Canadian Tire is susceptible to this increased competition. Though the company's offering is uniquely diverse, it is difficult to see how this increased competition makes for an appealing investment opportunity, regardless of valuation.

Stock screens are meant to identify opportunities for further research. They should only serve as step one of the process. Though an apparent potential winner is not obvious in this group of seven, further investigation is most certainly warranted. Three names have been weeded from this list of seven by further tightening the screen's criteria. Find out what names were left standing and get a better understanding for the investment case behind each by continuing on to [Part 2](#), [Part 3](#), and [Part 4](#) of this series.

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*Fool contributor Iain Butler owns shares in Magna International ([TSX:MG](#)). The Motley Fool has no positions in the stocks mentioned above.*

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1. Investing

## TICKERS GLOBAL

1. NYSE:B (Barrick Mining)

2. NYSE:BMO (Bank of Montreal)
3. TSX:ABX (Barrick Mining)
4. TSX:BMO (Bank Of Montreal)
5. TSX:CTC.A (Canadian Tire Corporation, Limited)
6. TSX:FEC (Frontera Energy Corporation)
7. TSX:MG (Magna International Inc.)
8. TSX:NA (National Bank of Canada)
9. TSX:SU (Suncor Energy Inc.)

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