Steal These 3 Investing Tips From Shark Tank (and Dragon's Den) Investor Kevin O'Leary

Description

For those of you who watch *Shark Tank* regularly, Kevin O'Leary needs no introduction.

Known as the value investor with the sharp tongue, O'Leary is the Shark whose money is most often rejected. His offers are regularly less aggressive than his peers, often including things like a larger ownership stake or a royalty on sales. Even during his years on *Dragon's Den*, O'Leary consistently did fewer deals than the other Dragons.

That's because O'Leary approaches the show a little different than the others. Instead of paying for potential, he insists on paying a fair price for the business today. Although that doesn't make for very exciting television, it's extremely valuable from an individual investor's point of view.

Here are three ways you can channel your inner Kevin O'Leary the next time you're deciding on an investment.

1. Insist on getting paid

If there's one thing O'Leary loves more than anything, it might be dividends. He's famous for insisting that he gets paid to wait.

Of course, it isn't quite that simple. There are hundreds of Canadian stocks that pay dividends, from a token amount to yields surpassing 10% annually. There are thousands more south of the border that pay dividends too. Investing isn't as simple as blindly buying dividend payers and waiting for the cheques to show up.

Instead, you should put your money in solid dividend payers, companies that have paid dividends for years and are likely to continue doing so. A great example is **Fortis Inc.** (TSX:FTS), the owner of power and natural gas assets across North America, as well as the Caribbean.

Fortis recently hiked its dividend, making it the 43rd consecutive year of giving investors an annual raise, the longest such streak in Canada. If that isn't enough for you, the company is projected to grow earnings to $2.08 per share in 2015, which is more than 30% more than it delivered over the previous 12 months. That's a projected payout ratio of just 65%, giving the company plenty of cash flow to reinvest in other growth opportunities.

2. Insist on value

When watching O'Leary invest on television, it's sometimes comical just how much distance ends up between his offer to an entrepreneur and what the accepted offer ends up being. He'll start off offering a certain amount for 50% of the company, and someone else will offer the same amount for 20%.

But from our perspective, the rules are completely different than they are with *Shark Tank*. O'Leary might see 100 different businesses during a season of the show, while investors have thousands of different companies to choose from at one time. We can afford to be a lot more choosey.

One great O'Leary-inspired value stock in Canada is **National Bank of Canada** (TSX:NA). Because it doesn't have the size or the foreign exposure its peers have, the company consistently trades at a lower valuation and pays a better dividend than its competitors. At some point, National will either change this by making a foreign acquisition, or the market will find a reason to like its Canada-centric focus. Either way, right now it's a better value than the other banks.

Be wary of hype

Recently, during an interview on BNN, O'Leary was asked his opinion on **Twitter Inc.** (NASDAQ:TWTR). Even though he is an active user of the micro-blogging site, he thinks anyone who buys the stock at this point is "insane."

One glance at Twitter's financials is enough to make most value investors run away from the company. Twitter has lost $0.96 per share over the last 12 months, and its book value is a mere $5 per share, the majority of which is in cash it has recently raised from equity and debt issues.

The valuation of Twitter (and its social media peers) reminds me a little of the late-90s tech boom. Eyeballs on an app are great, but it's hard to see where these apps can go from here. Competition in the space is already fierce, and there's only so much time we can spend staring at our phones.

That's not saying Twitter can't succeed. But the odds are stacked against it being worth much more than it is right now. By taking a critical look at Twitter, investors can avoid investing in the next bubble stocks.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TWTR (Twitter)
2. TSX:FTS (Fortis Inc.)
3. TSX:NA (National Bank of Canada)

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Date
2025/07/21
Date Created
2015/02/20
Author
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