



Value Investors: Check Out These 3 Ridiculously Cheap Black Friday Stocks

Description

Black Friday will soon be upon us—the day where bargain shoppers all over North America get up early and camp out in front of their favourite stores, hoping for a deal on a new television, tablet, or a myriad of other items.

And yet, that mentality doesn't seem to translate into the world of stocks. You'd think investors would be all about loading up on great companies when they're temporarily depressed. But more often than not, the opposite happens. We value expensive stocks more based on nothing but recent history.

Investors should look at investing like they do at Black Friday. There are deals out there, even as markets hit all-time highs. Here are three value-priced Black Friday-inspired Canadian stock ideas.

Aimia

Most investors know **Aimia Inc.** ([TSX:AIM](#)) as Aeroplan, Canada's largest customer-loyalty program. It isn't just **Air Canada** that gives out Aeroplan points either. Dozens of Canadian retailers and travel companies use it as a rewards system.

Aimia shares are down more than 50% versus 2014 highs for a number of reasons. Investors are concerned its contract with Air Canada may not be renewed, even though it doesn't come due until 2020. Canadian consumer spending is down. And competitor Air Miles has been besmirched with controversy when it quietly made changes that made a lot of avid collectors lose miles.

I think each of these controversies are overblown. Many of Canada's top credit cards enable folks to collect Aeroplan points. Air Canada would be silly to alienate all those collectors. And, if anything, the Air Miles controversy drove customers to Aeroplan.

Aimia is a free cash flow machine. The company is still projecting free cash flow of between \$1.25 and \$1.38 per share for 2016, giving it an insanely low valuation. That's an ample amount to pay the whopping 10.2% dividend too.

Oh, and Aimia owns 48.9% of a Mexican loyalty coalition, Premier Loyalty and Marketing, which is

rumoured to be worth approximately \$1 billion and may IPO soon.

CIBC

Canada's banks have been terrific investments over the years and should continue to be over the next few decades. I just can't envision anything coming along to knock them off their pedestal.

There's one simple reason for buying **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) over its peers. It's cheaper on a couple of important metrics.

The first is dividend yield. CIBC currently yields 4.6%, which is the highest in the Canadian bank sector today. That's 1.2% higher than **Toronto-Dominion Bank**, which yields 3.4%. Many investors use the dividend yield as a quick value metric when comparing banks, since they all have similar target payout ratios.

The second is the price-to-earnings ratio. CIBC shares trade hands at just over 10 times trailing earnings. TD is about 40% more expensive; it trades at more than 14 times earnings.

The one knock against CIBC has always been its Canadian-focused operations. Unlike its peers, it doesn't have any meaningful assets outside Canada. That will change. It recently announced it would spend \$4.9 billion to acquire PrivateBancorp, which is located in the Chicago area.

Hudson's Bay

Hudson's Bay Co (TSX:HBC) doesn't look very cheap when you look at traditional metrics. It trades at more than 30 times trailing earnings and most of its book value is tied up in intangible assets.

The real value is in the company's real estate. According to a recent investor presentation, the company is worth about \$44 per share with the real estate alone accounting for about \$35 per share. This represents potential upside of more than 200% versus the share price today, which is just over \$14.

Management is actively working towards spinning out the real estate into publicly traded REITs too. It is working with REIT giants on both sides of the border to diversify the portfolios a little before bringing them to the market. A real estate IPO could come as early as 2017.

The bottom line

Hudson's Bay, CIBC, and Aimia are all stock equivalents of a good Black Friday sale. They're all good operators selling at discount prices, and the good news about these sales is that they'll likely be around for longer than a day.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:AIM (Aimia Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)

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