



Be Greedy While Others Are Fearful With This Undervalued Canadian Icon

Description

One of my favourite quotes from the Oracle of Omaha is, "...be fearful when others are greedy, and greedy when others are fearful." It sums up what long-term value investing is all about. Although many may know of this famous quote, few actually take the advice. It's really easy concept, and it's easy to acknowledge the advice as being smart, but in reality, it's actually really difficult to be greedy when everyone's running for the hills.

It goes against human psychology to be a contrarian. When things start getting ugly, we all get scared and the natural thing to do is to sell. If you give in to the impulse of running with the herd and selling while others are dumping stocks, you probably aren't going to meet your long-term investment goals. In fact, your results may be unsatisfactory, and you may even lose hope in your ability to be a competent value investor.

Do you have the ability to keep things together when the markets crash by double digits? Do you have the guts to buy while others are selling? Or does the thought make your stomach churn?

If you're a beginner, it can be scary when the markets plunge. The Dot Com bubble and the Financial Crisis were horrifying times, and they occurred within the same decade. The bull market is quite old now, and it seems every week there's a pundit giving reasons why the next crash is around the corner: the markets are too expensive; there are threats of nuclear war; Trump's pro-business agenda may not happen; a Canadian housing collapse could happen; low oil prices could be here for the long run.

There's always going to be something to be worried about, but if you've got the discipline to embrace panic-induced sell-offs, then you can pick up stocks of wonderful businesses at a discount.

Consider **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)) as one of the undervalued stocks that have been unfairly beaten up by the market of late. The general public is scared to death of retail and brick-and-mortar stores, which are quickly losing ground to digital retailers and rising e-commerce giants.

Many investors are fearing the death of the shopping mall and want absolutely nothing to do with retail stocks that own physical locations. After all, the future is digital, isn't it?

Canadian Tire has shown many times in the past that it can adapt to a changing retail landscape, but investors don't seem to care, as e-commerce is really fear inducing, and a lot of investors probably can't stomach more news about another retailer collapsing at the hands of a digital counterpart.

But here's why you shouldn't be afraid when it comes to Canadian Tire, one of Canada's iconic brands: the management team isn't shying away from innovation. They've got an e-commerce platform that they're investing in. And have you been to a Canadian Tire or a Spork Chek lately?

If you haven't been in a while, you'd probably be quite surprised if you walked into one today. There's technology all over the place that helps shoppers determine if a product is a great buy.

Let's say you're looking to buy wiper blades at your local Canadian Tire.

There's a row of hundreds of different kinds of wiper blades. That seems overwhelming for a non-car fanatic, doesn't it? But there's technology that helps make shopping for items easier. There's a tablet near the wipers you can use to choose your car model and preferences. And when you're done, voila! You get a list of recommendations of wiper blades and where to find them on the rack.

This is just one way that Canadian Tire is reinventing the brick-and-mortar store. The company's recent earnings show that the fears are overblown and things aren't as bad as they seem.

Shares trade at a forward 13.3 price-to-earnings multiple, which is a cheap price to pay for an incredible business that has been growing its gross and operating margins by leaps and bounds over the past few years. It's also seen earnings steadily climb up over the past decade along with its dividend.

Bottom line

Just because the general public is afraid of an entire industry doesn't mean you should avoid it too. In fact, you should probably be browsing for opportunities in the industry which is probably overly beaten up.

Stay smart. Stay hungry. Stay Foolish.

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