



3 Stocks That Ought to Split

Description

Where have all the stock splits gone?

In what is probably the best indicator the TSX is severely underperforming its U.S. counterpart, the S&P 500, I've found just three stock splits (market cap > \$500 million) year to date through October 19.

They are **Waste Connections Inc.** ([TSX:WCN](#))([NYSE:WCN](#)), **CCL Industries Inc.** ([TSX:CCL.B](#)), and **Open Text Corp.** ([TSX:OTEX](#))([NASDAQ:OTEX](#)) at 3-for-2, 5-for-1, and 2-for-1, respectively.

By comparison, there have been three in the U.S. since the beginning of September: **Intuitive Surgical, Inc.** ([NASDAQ:ISRG](#)), **Vector Group Ltd.** ([NYSE:VGR](#)), and **Henry Schein, Inc.** ([NASDAQ:HSIC](#)) at 3-for-1, 1.05-to-1, and 2-for-1, respectively.

Yes, the U.S. market has a lot more stocks with market caps greater than \$500 million, but at the end of the day, stock splits reflect management's overall confidence in its business and its stock. With the S&P 500 up 16% year to date compared to 6% for the TSX, it's easy to see which country's business leaders are more confident about the future.

It's also possible that Canadian investors just don't care about stock splits. Whatever the reason, I'd like to see these three TSX stocks split at some point in the next year.

Canadian Imperial Bank of Commerce

The last bank to split its stock was **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) in 2013. TD stock went on to gain 15% over the next 12 months. Another bank to gain from a stock split is **Bank of Nova** ([TSX:BNS](#))([NYSE:BNS](#)), which rose 19% in the following year.

Why **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#))?

First, it's my favourite Canadian bank. It's undervalued compared to its peers and provides the best dividend yield. Second, the last time it split its stock in 1997, it was up a whopping 27% a year later.

Lastly, portfolio manager Steve Eisman, played by actor Steve Carrell in the movie *The Big Short*, and the guy who bet against collateralized debt obligations (CDOs) in 2008, recently suggested CIBC has the most to lose from a severe correction in Canadian housing prices.

That's not news; it's been said by Canadian analysts in the past. Splitting its stock, which is trading in triple digits, would send a signal to investors that it's bullish about its future.

Shopify

Shopify Inc.'s ([TSX:SHOP](#))([NYSE:SHOP](#)) three-month stock chart looks an awful lot like going off a cliff due to the nastiness surrounding its business model. Citron Research says it's a fraud; the company's CEO, Toby Lütke, called Andrew Left, the analyst at Citron who issued the video report calling SHOP a get-rich-quick scheme, a troll.

Lütke says he'll address the allegations further when the company reports its Q3 2017 earnings October 31. I say he should go beyond making a case why its business is the real deal and split the stock on a 3-for-1 basis. It would still be trading above \$40 and sends a signal to short sellers that it welcomes greater liquidity in its stock and that the shorts are welcome to continue to try and slow it down.

Canadian Tire

I'd like to see **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)) do a split immediately, as in before the holiday shopping season is finished, because it sends a signal to investors that it's not worried about losing business to Sears Canada's liquidation sales and the future implementation of a higher minimum wage.

Trading at over \$150, a split would likely push CTC.A stock back to 52-week highs achieved in early June. Unfortunately, Canadian Tire hasn't split its stock since 1983, almost 35 years ago, so it's probably wishful thinking on my part.

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TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:CM (Canadian Imperial Bank of Commerce)
4. NYSE:SHOP (Shopify Inc.)
5. NYSE:TD (The Toronto-Dominion Bank)
6. NYSE:WCN (Waste Connections)
7. TSX:BNS (Bank Of Nova Scotia)
8. TSX:CCL.B (CCL Industries)
9. TSX:CM (Canadian Imperial Bank of Commerce)
10. TSX:CTC.A (Canadian Tire Corporation, Limited)
11. TSX:OTEX (Open Text Corporation)

12. TSX:SHOP (Shopify Inc.)
13. TSX:TD (The Toronto-Dominion Bank)
14. TSX:WCN (Waste Connections)

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