The 1 Value Stock That Beats Them All

Description

Cheap is a relative term.

If I really want to go to a certain playoff hockey game and I’m a billionaire, paying $1,000 for a pair of seats is a cheap price to pay. However, for the person who earns minimum wage, $1,000 for two hockey tickets is definitely NOT cheap.

The same goes for **Fairfax Financial Holdings Ltd.** (TSX:FFH).

Fairfax is currently trading within 6% of its 52-week high of $708.99 and 14% of its all-time high of $774.90, reached in September 2016; relative to its historical price levels, Fairfax appears to be anything but cheap.

However, when you consider what investors are willing to pay for **Berkshire Hathaway Inc.** (NYSE:BRK.A)(NYSE:BRK.B) at the moment — 1.4 times book compared to 1.2 times book for Fairfax — the Canadian version of Berkshire Hathaway appears relatively cheap by comparison.

So, if you’re waiting for Fairfax stock to fall back to $600, a level it hasn’t seen since last August, when I’d recommended investors get back into its stock, you might be waiting awhile.

Fairfax had a record year in 2017, despite having to deal with several insurance-related weather issues that cost the company’s insurance subsidiaries $1.3 billion. CEO Prem Watsa has made a lot a lot of moves outside the insurance industry over the past year, and those will continue to pay dividends for years to come.

In early March, for instance, Fairfax announced that it had completed its purchase of Carillion Canada’s support services business. Operating as Outland-Carillion Services, the company’s services to remote areas will come in handy on one of Fairfax’s other potential investments.

Fairfax is interested in buying the Churchill Rail Line and the Port of Churchill in Manitoba from the current Denver-based owner, so it can rebuild the flooded railway line and reopen the port to future shipping.

Working in conjunction with **AGT Food and Ingredients Inc.** (TSX:AGT) — Fairfax owns 19% of AGT — a producer of lentils and other food ingredients, the move could deliver economic benefits to the First Nations and local communities in northern Manitoba — a real win/win.

Not only that, but Fairfax upped its equity stake in **Torstar Corporation** (TSX:TS.B) from 28.9% to 40.6% in November. With plans to expand its news coverage in Halifax, Toronto, Edmonton, Calgary, and Vancouver, the company is rebranding its free *Metro* papers as *StarMetro Toronto, etc.*

So, Prem Watsa has been busy making smart value investments that will pay off three to five years down the road, but you get to pay less than what investors were willing to pay to own Fairfax in previous years.

It might be near an all-time high, but I think Prem Watsa is just getting started. Fairfax's stock has done very little the last three years. The latest moves by the company will get its share price out of neutral — sooner rather than later.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BRK.B (Berkshire Hathaway Inc.)
2. NYSE:BRKA (Berkshire Hathaway Inc.)
3. TSX:FFH (Fairfax Financial Holdings Limited)
4. TSX:TS.B (Torstar)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/06/29
Date Created
2018/04/15
Author
washworth