3 Reasons Why Warren Buffett Would Love This Stock

Description

Warren Buffett, widely recognized today as one of the greatest investors of all time, got his tutelage under the teaching of Benjamin Graham – "the father of value investing."

While Graham preached the discipline of buying cheap stocks at a "reasonable margin of safety," Buffett took Graham's teachings to another level.

Although Warren Buffett got his start, like Graham, by "picking up cigar butts of the ground to get their lasts puff," it wasn't long before he started taking a more growth-oriented approach.

One of the more famous examples of this is Buffett's investment in the insurance company GEICO — a company now owned by Buffett's **Berkshire Hathaway Inc.**, the holding company that the "Oracle of Omaha" has grown to be worth $488 billion dollars.

GEICO was just the type of company that Graham didn't like and perhaps didn't quite understand.

Despite Graham's insistence that the stock was "too expensive," Buffett went against his mentor's wishes, accumulating a large position in the company and eventually buying it outright.

Sometimes stocks really are too expensive, and the price tag placed on them by the market just doesn't make sense and isn't worth paying for. However, in other cases, great or even excellent companies get valuations from the market that may appear to make them expensive but sometimes they turn out to be worth every penny.

As the saying goes, "you get what you're willing to pay for."

Enter **Intertape Polymer Group** (TSX:ITP), a fairly small company by today's standards with a market capitalization just a little over $1 billion dollars.

But while Intertape Polymer may not offer the dirt-cheap valuation that Graham would likely want to see, it does offer certain qualities that more than likely would attract Buffett as an investor.

It's a business that's easy to understand

In its annual report, Intertape Polymer describes itself as a "leader in the development, manufacture, and sale of a variety of paper and film-based pressure-sensitive and water-activated tapes."

The company makes it sound fancy — and maybe that's by design — but really, the company makes packing tape.

It's a business that's easy to wrap your head around — even if you're new to investing — and it's a business that has a decent future ahead of it, as more commerce shifts to online avenues that involve companies shipping product direct to consumers via mail and couriers.

A quality, growing dividend

The company is currently offering investors a dividend yield of 3.76%.

While that's not exactly a yield that is going to set your hair on fire, it is a respectable yield, and when you consider that the company has raised its dividend by, on average, 11.8% over the past three years, it only serves to make the dividend look that much better.

It's not expensive either

Despite a quality business with long-term promise and a healthy, growing dividend, Intertape Polymer stock remains very reasonably priced.

Granted, the stock's price-to-earnings (P/E) ratio, at less than 13 times, isn't quite on the same level as, say, the likes of **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX), which is trading at a P/E of less than five times, the company still trades well below the average of the broader market by a considerable margin.

Bottom line

Last summer, Intertape Polymer announced the acquisition of Cantech for $67 million — a move which helped the company record an increase in revenues of more than 13% in the fourth quarter of 2017.

This is clearly a company that sees the opportunity in front of it and is making moves to secure itself — and its shareholders — a brighter future.

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