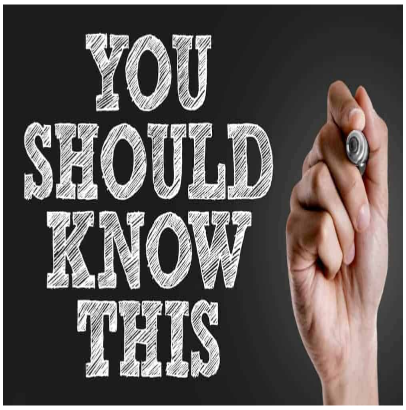

It's Time to Buy the TSX's Most Patient Dividend Stock

Description

Prem Watsa, CEO of **Fairfax Financial** (TSX:FFH), arguably Canada's most patient dividend stock, is having a bad year.

How bad, you ask?

Its total return is -2.1%, worse than the pitiful **S&P/TSX Composite Index**. Exclude the company's dividend from the equation and its performance is even gloomier. And one can't forget that Watsa hasn't had a double-digit annual return since 2014.

The man who's often compared to Warren Buffett is on a severe losing streak despite cobbling together a portfolio of investments, public and private, that are destined to deliver for dividend investors over the long haul.

I'm not the only one who thinks it's a buy

I've got plenty of company with other Fool colleagues who've been scratching their heads trying to figure out why Fairfax isn't trading for more than $637 a share.

After all, as recently as the middle of June, FFH stock was trading at a 52-week high of $788.88; it's dropped 19.2% in the five months since.

Fool contributor Kay Ng pointed out in her November 23 article how FFH stock over the past three years has traded between $570-$770 with a midpoint of $670, providing investors with a nice discount at the moment.

Unfortunately, she also points out that in the last 10 years, Fairfax's annual book value per share growth rate has slowed to 7% compared to its 33-year average of 19.5%.

Something's got to give

There's no doubt that Fairfax's slowdown in book value growth has scared away some investors.

However, as Foolish contributor Nelson Smith suggests, Fairfax stock is trading slightly above book value with a forward P/E of just 10.5. By comparison, **Berkshire Hathaway** has a price-to-book ratio of 1.5 and a forward P/E of 19.1.

If investors could get their hands on Berkshire Hathaway at 1.0-1.1 times book value, I can guarantee you there would be a stampede of investors buying the company's stock.

No such luck here in Canada, where investors seem to be far less accepting of holding companies like Fairfax and **Power Corporation**.

Not to worry. Stock prices follow earnings, and in Fairfax's case, book value. Always have, always will.

I think Fairfax's stock price woes have less to do with any bias against holding companies and more to do with the fact that many investors haven't a clue about most of Prem Watsa's diamonds in the rough. Or worse, they think they do.

Greek profits

In late November, Eurobank announced that it would buy Grivalia Properties, one of Greece's largest real estate investment companies for US$866 million. Eurobank is the third-largest bank in Greece; Fairfax owns 18% of the bank and 54% of Grivalia. Once the deal is completed, he'll own 33% of the combined businesses.

Right now, Watsa's bet on Greece is underwater by about US$400 million — Fairfax invested US$1.4 billion starting in 2014; the assets were valued at US$1.02 billion at the end of 2017 — but the veteran investor is confident that the financial woes Greece has experienced will be behind it heading into 2019.

That makes the 33% interest in two of Greece's largest financial institutions far more valuable than investors realize. Watsa experienced a similar situation investing in Ireland in 2011. In that situation, Fairfax walked away with profits of more than 500 million euros.

Watsa's the ultimate patient investor. If you buy at any price under $650, in 3-5 years, you ought to be rewarded.

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