

## 3 Financial Stocks to Own Now

### Description

Investment success often comes when going against conventional wisdom.

For example, if you're considering investing in financial stocks, most regular investors would consider **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) or one of the other Canadian banks as a worthy candidate. However, the investor who doesn't want to follow the crowd will head in a different direction.

If you're a contrarian investor or just someone who likes to be different, here are three financial stocks to consider.

#### **Ritchie Bros. Auctioneers** ([TSX:RBA](#))([NYSE:RBA](#))

If you're looking to buy or sell industrial equipment, large or small, the Vancouver-based company is ideal. Founded in 1958, it has more than 40 live auction facilities around the world and several online auction sites including Marketplace E, a combination of Ritchie Bros.' online auction site and [Iron Planet](#), a U.S.-based auction site it acquired for US\$759 million in May 2017.

With the acquisition of Iron Planet, not only did it gain 1.8 million registered users around the world, but it also got an excellent working relationship with **Caterpillar**, extending its reach into the industrial equipment industry.

So, how is Ritchie Bros. a financial services company? Well, it's not.

However, it does help finance a lot of the equipment bought through its various sites using Ritchie Bros. Financial Services, formerly a partnership between the company and **Travelers Companies'** Canadian subsidiary launched in 2011. In July 2016, Ritchie Bros. acquired Travelers' stake in the partnership; it now owns 100% of Ritchie Bros. Financial services.

Ritchie Bros. doesn't carry any loans on its balance sheet. It merely finds the best financial institution for loan applicants. In 2015, it processed more than \$1 billion in credit applications, about 25% of its annual revenue.

#### **Canadian Tire** ([TSX:CTC.A](#))

Canadian Tire is one of the most iconic retailers in Canada, generating several billion in sales each year from the legacy brand, Marks, and Sport Chek, among others.

Fool contributor Chris MacDonald recently [called](#) it one of the best 50-year-holds available today. I don't know about 50 years, but it's certainly worth holding for the long haul.

Canadian Tire's had a financial services business since 1968. Today, it offers credit cards, takes deposits, and provides financing for customers. The financial services business contributed \$1.2 billion in annual revenue in 2017, about the same figure as Marks.

However, it generates significantly higher net profits from the same amount of revenue. In its latest third quarter, Canadian Tire's financial services business had \$132 million in net income from \$326 million in revenue, a 40% net margin compared to 5% for its retail segment.

With more than \$5 billion in receivables, Canadian Tire's financial services business will continue to be a vital part of its profit picture.

### **Loblaw Companies** ([TSX:L](#))

Although I tend to waffle over which Canadian grocery store chain investors should own for the long haul — I'm currently big on **Empire Company** because of the [turnaround](#) job CEO Michael Medline's executing — there's no doubt that the purchase of Shoppers Drug Mart has delivered some additional growth opportunities for Loblaw.

That's especially true when it comes to the company's PC Optimum loyalty program and President's Choice Financial Mastercard.

In 2018, Loblaw's introduced a loyalty program pilot for 5,000 customers who had both a PC Optimum account and a President's Choice Mastercard. Charging \$99 a year to join, it was so popular that the pilot was widened to 25,000 members and is now looking to boost that number to 100,000 over the next year or so.

Loblaw got out of the banking business in 2018, but is using the power of its brand to grow its PC Optimum program, to sell insurance products, GICs, and telecom services.

It might not be as sexy as PC Financial, but it will remain a profit centre for the overall business, which is excellent news for shareholders.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:CAT (Caterpillar)
2. NYSE:RBA (Ritchie Bros. Auctioneers)
3. NYSE:TD (The Toronto-Dominion Bank)
4. TSX:CTC.A (Canadian Tire Corporation, Limited)
5. TSX:EMP.A (Empire Company Limited)
6. TSX:L (Loblaw Companies Limited)
7. TSX:RBA (Ritchie Bros. Auctioneers)
8. TSX:TD (The Toronto-Dominion Bank)

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### **Date**

2025/07/03

### **Date Created**

2019/01/21

### **Author**

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