



## TFSA Picks: 2 Bargains to Buy Now and Own for Decades

### Description

As a [value-oriented Tax-Free Savings Account \(TFSA\) investor](#), you should be on the hunt for market mispricings that Mr. Market hasn't yet recognized. After you've spotted a potential mispricing with a stock that you believe is priced at a considerable discount to its intrinsic value, you should place a bet and sit on your hands for years at a time until your investment thesis comes to fruition.

Market mispricings can take many months, if not years before they're recognized and corrected to the upside by Mr. Market. So, do your homework and have the conviction and patience to wait for the sought-after correction to the upside that we value investors seek.

To improve your odds of scooping up a big bargain, look to some of the areas of the market that most other TFSA investors aren't touching right now. We're talking about [heavily out-of-favour stocks](#), specifically mid-cap names that aren't typically talked about in the mainstream financial media.

Such lesser-known stocks could give you more bang in a correction to the upside, as their ups and downs can be more pronounced. Of course, it's the excessive downs that are more likely to be off the radar of most.

Without further ado, consider **Spin Master** ([TSX:TOY](#)) and **Leon's Furniture** ([TSX:LNF](#)), two out-of-favour mid-cap stocks with mere market caps of \$2.6 billion and \$1.1 billion, respectively. Both names have been crushed by the coronavirus crisis and are currently trading at compelling valuations that I believe are unsustainably low.

### Spin Master

**Spin Master** ([TSX:TOY](#)) has fallen into a multi-year tailspin. First, it was the void left in the retail industry as Toys "R" Us went under, pressuring toy makers massively. Then, the company suffered a few operational hiccups. And then the coronavirus crisis sparked retail closures and further operational disruptions.

Shares of Spin collapsed, losing over 80% of their value from peak to trough. I exited my personal

position prior to the coronavirus crash at around \$40, but have been drawn back by the compelling valuation on a business with a Fort-Knox-like balance sheet, some of the best assets in the toy industry, and some incredible innovators running the show.

Management has seen some changes along the way, and with the economy poised for a V-shaped recovery, a discretionary firm like Spin has a lot to gain, as the worst of its pressures now look to be in the rear-view mirror. Spin stock trades at 1.2 times sales and 2.7 times book, both of which are unrealistically low, likely due to medium-term pressures that have clouded the long-term fundamentals that still look intact.

After surging 122% off its March lows, I'd look for a pullback below \$20 before I'd personally consider initiating a position in the name. However, I wouldn't be against buying a half position at these depths either if you're keen on the name.

## Leon's Furniture

For those who'd prefer a dividend, **Leon's Furniture** ([TSX:LNF](#)) is looking like a solid bet with its bountiful 3.5% yield. Fellow Fool Aditya Raghunath recently covered Leon's latest quarter and thinks that Leon's is a stock that's poised for a comeback once in a post-pandemic environment:

"When the pandemic does ebb and businesses are able to get back to regular operations, a lot of consolidation will take place in the space. Weaker players will have to shut shop, and the ones that remain standing will be able to gain a larger piece of the pie. Leon's is likely to be in the latter group," said Raghunath.

With one of the better liquidity and solvency stances in the industry (1.3 current ratio and 0.5 debt-to-equity), Leon's is in a spot to survive as its peers fall under stress. So, Raghunath is right on the money when by noting that the pandemic could be a longer-term plus for Leon's, as its less-liquid competitors flirt with insolvency.

Whether peak big-ticket discretionary spending is behind us is anyone's guess. Still, at today's low valuations (shares trade at 1.15 times book, the lowest it's been since the depths of the Financial Crisis), I'd say now is as good a time as any to scoop up the battered play before it has a chance to recover.

### CATEGORY

1. Coronavirus
2. Investing
3. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:LNF (Leon's Furniture Limited)
2. TSX:TOY (Spin Master)

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