



## 2 Top Undervalued Stocks to Buy in Canada

### Description

Legendary investor Warren Buffett will never overpay for a business or stock ever again. He made a gruesome mistake in 1993 and lost his entire investment in a shoe company that he thought was worth the money and had growth potentials. Since that painful lesson, the GOAT of investing didn't follow the herd but focused more on stocks trading at [less than their book value](#).

The investing landscape hasn't changed in 2021. Canadian investors can find great deals notwithstanding **TSX's** outperformance. The **North West Company** ([TSX:NWC](#)) and **Canadian Western Bank** ([TSX:CWB](#)) are [outstanding choices for value investors](#) like Buffett and hedge fund manager Seth Klarman. Besides the potential capital gain, the companies are reliable dividend payers.

### Rich enterprising legacy

Highland Scots formed the North West Company in 1779. The company was destined for long-term success when it merged with its main competitor, the Hudson's Bay Company, in 1821. Today, the \$1.74 billion company is one of the longest continuing retail enterprises in the world.

Most value investors will look at the price-earnings ratio (P/E) to gauge whether they'll be paying a fair price. For NWC, the P/E ratio of 10.58 is quite low because you pay less for every \$1 of current earnings than a company with a higher ratio. Also, a high P/E ratio could mean higher volatility.

NWC operates and serves customers in hard-to-reach rural communities and urban neighbourhoods. They dominate in the far-flung markets in North America, Alaska, the Caribbean, and the South Pacific. The pandemic environment is challenging for this 242-year-old retailer, yet it reported a 228% increase in net earnings in Q1 fiscal 2021 (quarter ended April 30, 2021).

The consumer defensive stock trades at \$35.83 per share (+12.71% year-to-date) and pays a hefty 4.09% dividend. Management is confident that cash flow from operating activities and unutilized credit facilities are sufficient to fund operations and sustain expected dividends in 2021. Over the last 20 years, NWC's total return is 5,870.84% (22.66% compound annual growth rate).

## At par with the Big Banks

CWB is a \$3.04 billion regional bank, but its stock outperforms (+24.01% year-to-date) the Big Banks thus far in 2021 except for the **Bank of Montreal** and the **Canadian Imperial Bank of Commerce**. At \$34.91 per share, the dividend yield is a decent 3.33%.

The undervalued bank stock boasts a mean dividend growth streak. It's a [Dividend Aristocrat](#) no less due to its 28 consecutive years of dividend increases. CWB is the top-of-mind choice for equipment leasing. As the economy rebounds, the bank expects Canadian equipment companies to restart or expand operations to take advantage of future opportunities.

CWB's equipment financing team is ready to provide asset-secured financing and leasing solutions at highly competitive terms to small and mid-sized businesses. Apart from the expertise in equipment leasing, CWB is strong in branch-raised deposits.

In Q2 fiscal 2021 (quarter ended April 30, 2021), the growth was 18% versus Q2 fiscal 2020. The highlight for the quarter was the 40% increase in net income available to common shareholders. CWB believes a strong economic recovery will provide the bank with additional accretive opportunities.

## Valuable additions

The North West Company and Canadian Western Bank are worth adding to a value investor's portfolio. You can earn two ways via capital gains and dividends. Scoop the undervalued stocks now while the prices are relatively low.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:CWB (Canadian Western Bank)
2. TSX:NWC (The North West Company Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

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**Date**

2025/08/22

**Date Created**

2021/07/05

**Author**

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