2 Embarrassingly Cheap Canadian Stocks

## Description

Mr. Market isn't always spot on with his pricing of Canadian stocks. In many instances, he slaps a market price on a security that's nowhere close to its intrinsic value range. Such an embarrassing pricing mistake tends to be corrected once Mr. Market discovers the blunder, though. Such pricing blunders can go unnoticed for days, weeks, months, or even years, especially in the less-loved smaller-cap names that don't make the headlines nearly as much as the mega-caps that hog the limelight.



So, if you've got the patience, the time horizon, and the confidence to profit from Mr. Market's embarrassing inefficiencies, then you may wish to consider the following two Canadian stocks that I'm inclined to throw into the "embarrassingly cheap" basket this July.

As always, if any of the names interest you, remember that this is just the start of your thorough analysis. By putting in the homework in a name, you'll be able to solidify your conviction in a name and will be more likely to purchase even more shares on further weakness.

Without further ado, consider **CAE** (TSX:CAE)(NYSE:CAE) and **KP Tissue** (TSX:KPT).

# CAE

CAE is a world-class flight simulator manufacturer that serves civil aviation, defence, and security fields. The company describes itself as a leader in digital immersion technologies with its high-tech training and support solutions.

In essence, CAE is a play on rebounding civil aviation from the COVID-19 crisis. But its growing defence business should not go unnoticed. In prior pieces, I've praised CAE as a safer, more diversified way to play the global recovery in the air travel industry than the airlines, many of which were bleeding record amounts of cash.

After soaring over 145% from its ominous March 2020 bottom, the "steal" of a deal may be gone. Still, shares aren't as expensive as they could be, given catalysts on the horizon. Many out-of-practice pilots will need to get up to speed after minimal flying over the past year and a half. In addition, many new fuel-efficient aircraft are going to require pilots to go through comprehensive training.

Indeed, the $11.5 billion company has many tailwinds to look forward to, and I don't think they're fully reflected in the stock price just yet at just 3.8 times sales and 3.6 times book value.

## KP Tissue

**KP Tissue** (TSX:KPT) is a toilet paper company that's nosedived of late thanks in part to unfavourable input price movements. The stock is right back to where it was before the great toilet paper shortage of 2020 sent shares surging, and the dividend yield is right back up to the 7% mark.

If you'd bought shares at their March 2021 peak, you'd be down a pretty painful 9%. As various commodities, including pulp, normalize, I think KP Tissue could see some pressure taken off its shares going into year-end.

The Canadian stock trades at 1.3 times book value, which is a pretty low price of admission into a name that could yield meaningful results for contrarians. The Street isn't at all bullish on KP Tissue, though, with most sell-side analysts maintaining a "hold" rating on the name.

Undoubtedly, only true contrarians should proceed in a name that's likely to continue to be ridiculously volatile. The 7%-yielding dividend seems to be getting stretched, but I don't think it will be stretched to its breaking point.



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1. Dividend Stocks
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2. TSX:CAE (CAE Inc.)
3. TSX:KPT (KP Tissue Inc.)

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