



1 Deeply Discounted TSX Stock for Value Investors

Description

Deeply discounted TSX stocks are out there, even in a so-called [expensive](#) market. The thing is, you need to act as true contrarians to unlock some of the deepest value. Undoubtedly, there are far easier ways to make money, especially for beginners who don't want to have to jump into the deep end, with falling knives or firms that may or may not be value traps.

Deep-value stocks need extra homework, but if you're willing to put in the analysis and zig as others zag on any given name, it is possible to get a little something for free with every investment dollar. By "free," I mean margin of safety. Some stocks have larger margins of safety than others, and many have zero margin, making it tougher on investors who've made an error in their analysis.

Deep-value investing for beginners

In a way, a margin of safety can act as an added safety measure. And whenever you've found a stock trading at a remarkably wide margin of safety, there's no shame in being an aggressive buyer, even as sell-side analysts on Bay and Wall Street couldn't hate a given name more.

At the end of the day, market-beating performance is closer to the reach of independent contrarians who conduct their own analysis. While it's fine to solidify one's long-term investment thesis with others' analysis, one must be a true believer, because if a stock under question tumbles by double-digit percentage points in a hurry, you've got to know what to do. One who hasn't done their own homework could be quick to sell.

Piggybacking off the ideas of others can backfire once volatility sets in. The real question is whether a selloff is warranted and the thesis has changed for the worse or if a selloff is completely unwarranted or due to broader market jitters. Of course, systematic shocks to markets could also impact a thesis. But at the end of the day, investors should conduct their analysis from the ground up, as macroeconomic trends tend to be tricky to get a grasp of before other investors. Odds are, by the time you've heard of a potential shock event, such as **Evergrande**, the odds are, the market has already baked in the potential risks.

Deep value on the TSX

Without further ado, consider **Canadian Tire** ([TSX:CTC.A](#)), one deep-value stock that looks to have a pretty wide [margin of safety](#) after more than correcting off its all-time high of around \$210 and change.

Canadian Tire isn't the sexiest name out there. But for some reason or another, investors seem to be quick to move on from the name in spite of continued performance. Why? Brick-and-mortar retail is simply not where people want to be these days. High-quality retailers such as Canadian Tire have done extraordinarily well with e-commerce. Still, Canadian Tire has a dominant physical presence across Canada. And for that reason, many value investors may be unsure as to how the firm can appropriately leverage such an advantage in the digital age.

Undoubtedly, the pandemic has accelerated adoption of online sales channels. Still, if you believe the future (post-pandemic) lies in the omnichannel, Canadian Tire could prove to be severely undervalued, and its multiple could shed its hefty discount.

Canadian Tire had already proven itself as a resilient retailer last year. Moving into 2022, I think the company is in a great position to build on its strength. The stock trades at 10 times trailing earnings, implying that investors don't think the iconic retailer can continue performing well. I think the market is mistaken and would treat the recent plunge as a buying opportunity for long-term investors who could use a fast-growing dividend yielding 2.5%.

CATEGORY

1. Dividend Stocks
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1. TSX:CTC.A (Canadian Tire Corporation, Limited)

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