



Hold or Buy More of These 2 Value Stocks

Description

If you're looking to get the most of your extra cash this month, a pair of [value stocks](#) are excellent buys if you don't own them yet. The share prices of **National Bank of Canada** ([TSX:NA](#)) and **MTY Food Group** ([TSX:MTY](#)) are depressed right now, but both should rise to their real values soon.

National Bank, the country's fifth-largest bank, had a meagre, not dramatic, 2% drop in profits in the third quarter (Q3) of fiscal 2022 versus Q3 fiscal 2021. While the restaurant industry will remain challenging in the future, the sales of MTY are back to pre-pandemic levels.

Solid performance

Market analysts were correct in predicting that [Canadian big banks](#) would report earnings declines in Q3 fiscal 2022 because of higher loan-loss provisions and rising interest rates. Still, National Bank reported solid performance.

The bank's president and chief executive officer (CEO) Laurent Ferreira said, "The bank's excellent results in the third quarter of fiscal 2022 were driven by strong growth in each of the business segments. Sustained loan and deposit growth contributed to the bank's performance this quarter."

On a year-to-date basis (nine months ended July 31, 2021), net income increased 10% year over year to \$2.65 billion. Ferreira added, "We continue to operate in an increasingly complex backdrop. Despite these challenges, the bank is in a solid position with strong capital levels and substantial allowances for credit losses."

The highlight in Q2 2022 was the record revenues from the Personal & Commercial banking segment. Those revenues surpassed the \$1 billion mark for the first time in NA's history. Ferreira said the third-quarter performance reaffirms the resilience of the bank's franchise, the business mix, and strategic choices.

William Bonnell, NA's head of risk management & executive vice-president of risk management, said, "We remain comfortable with our defensive positioning, our resilient mix, and our prudent level of

allowances.” As of this writing, the bank stock trades at \$87.32 per share (-7.63% year to date) and pays a 4.24% dividend.

Rising from the pandemic

MTY Food Group is one of the largest franchisors and operators of multiple restaurant concepts globally. In the first half of fiscal 2022 (six months ended May 31, 2022), revenue and net income increased 18.91% and 24.24% versus the same period in fiscal 2021. Cash flow from operations and free cash flow grew 15.76% and 8.92% year over year.

CEO Eric Lefebvre said, “We are delighted with our strong financial performance in the second quarter of 2022, highlighted by an 18% year-over-year increase in system sales. Also, revenue from operations in the U.S. grew 46% year over year because of the lifting of government-imposed restrictions.”

Lefebvre added that the 91 restaurant closings during the quarter were at the lowest level in 16 quarters. Another encouraging sign is the return of sales to pre-pandemic levels for most brands and geographies. Management will still actively seek potential accretive acquisitions to generate organic growth.

Market analysts have a 12-month average price target of \$70.64, or a 20.18% climb from the current share price of \$58.78. The potential return should be higher to include the 1.47% dividend yield.

Take advantage

National Bank and MTY Food Group are undervalued right now. Take advantage before the stock prices rise to their real or intrinsic values.

CATEGORY

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2. Investing

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