



1 Stock to Buy, 1 Stock to Hold, 1 Stock to Sell

Description

There is no shortage of stocks on the **TSX**. From the traditional oil and gas stocks to the 21st-century technology stocks, the options can often be overwhelming.

As a value investor, I use intrinsic value to determine which stocks to invest in. Firstly, I identify industries with a potential to deliver decent returns. Secondly, I screen stocks based on increasing revenues and profitability. Finally, I use some method of valuation (discounted cash flow, comparable company analysis, and fundamental analysis) to determine the intrinsic value.

Based on my research, one stock I would buy today is **Yangarra** ([TSX:YGR](#)), one stock I would hold is **North West** ([TSX:NWC](#)), and one stock I would sell is **National Bank**.

Yangarra Resources

Yangarra is a junior oil and gas company engaged in the exploration, development, and production of natural gas and oil with operations in Western Canada.

The reason why I like Yangarra is because of the oil and gas industry. Investors that have been following the news will know that oil and gas has suffered in the past few years due to depressed oil and gas prices. At its trough, Western Canada Select (a Canadian benchmark for oil prices) traded at US\$5.97 per barrel. As a comparison, one of the largest benchmark indexes in the United States, West Texas Intermediate, was trading at US\$49.52 per barrel at that time.

As curtailment policies were introduced in Alberta to curb production, oil prices steadily increased over the years and Western Canada Select is currently at US\$31.29 per barrel. As investor funds shifts away from the oil and gas industry in the United States, companies in Canada stand to benefit immensely.

North West Company

North West is a Canada-based company that is principally engaged in retail business in underserved rural communities and urban neighborhoods. The company offers a variety of products, with food products accounting for the majority of the company's revenue.

The reason why I am assigning North West [a hold rating](#) is because its revenues are relatively flat in the past two fiscal years, which suggests that growth is slowing. In fiscal 2018, the company reported revenues of \$1.954 billion and in fiscal 2019, the company reported revenues of \$2.013 billion.

Despite the negligible increase in revenues, net income is up materially from \$67 million in fiscal 2018 to \$87 million in 2019. This is driven by increased operational efficiency. Unfortunately, a company can only make so many changes to its operations before it hurts the bottom line. Until North West shows signs of increased revenue growth, it is a hold for me.

National Bank of Canada

From a financial statement point of view, National Bank is doing well with positive retained earnings (cumulative net income minus cumulative net loss) with an increase in credit loss provisions of 3% compared to double-digit increases for other banks. Credit loss provisions represent the value of defaults the bank anticipates in the following fiscal year.

My [hesitance to invest](#) in National Bank is due to its enterprise value-over-revenue (EV/R) ratio, a common statistic used to value a business. National Bank reports an EV/R ratio of four times in fiscal 2018 compared to the median of 3.3 times. This results in an intrinsic value of \$52.06 compared to the value at writing of \$71.50.

CATEGORY

1. Bank Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:NWC (The North West Company Inc.)

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