



## RRSP Investors: Avoid These 3 Companies

### Description

As we creep into the RRSP investing season, picking and choosing high-quality long-term companies is of the utmost importance for those with a direct investing RRSP. In this article, I'm going to discuss three companies I think could be value traps for RRSP investors right now.

### Vermilion Energy

Perhaps no company screams "value trap" louder than **Vermilion Energy** ([TSX:VET](#))([NYSE:VET](#)) right now. Many income-oriented investors seeking yield flock to companies that make it clear they will never cut their dividend distributions. However, when the market believes a dividend has become unsustainable, this "[never dividend cutter](#)" can see yields climb to astronomical levels. This is the case of Vermilion, of late. Vermilion's yield was hovering above 20%. On March 6, the company finally announced that it was cutting its dividend by 50%. The previously unsustainable yield was harming the company more than attracting investors. This is because the market tends to lose faith in companies that avoid cutting their dividend like this.

The good news for investors is that Vermilion's recent dividend cut may cause the company's stock price to see a bounce. Therefore, Vermilion may become a more interesting option post-cut.

### Badger Daylighting

I've been bearish on **Badger Daylighting** ([TSX:BAD](#)) for [quite some time](#). I have a few reasons for this. Some investors look at Badger's 16% year-over-year performance and see the company as an attractive value play. However, I believe this qualifies the company as a value trap.

Badger Daylighting is an environmental services company and provides services including soil excavation. The reality with Badger Daylighting is, this company operates in a highly cyclical sector, which fluctuates according to macro factors that are largely out of the company's control. As we recently entered a bear market, Badger is certainly not the place to be. Furthermore, there is nothing proprietary about Badger's business model that would entice me to believe that this company deserves

its current valuation multiple. I view Badger as overvalued and having earned the distinction as a “value trap” in my book.

## CIBC

**Canadian Imperial Bank of Commerce** has been on my “value trap” list for the past few years. This is because of the heightened level of risk I see with CIBC relative to its peers. CIBC’s Canadian residential mortgage portfolio is a larger percentage of the company’s overall book of business than its peers.

These risk levels are high enough that I would not recommend any investor buy this bank on the basis of value. While CIBC has remained the cheapest Canadian bank for years, you get what you pay for.

Stay Foolish, my friends.

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### TICKERS GLOBAL

1. NYSE:VET (Vermilion Energy)
2. TSX:BDGI (Badger Infrastructure Solutions Ltd.)
3. TSX:VET (Vermilion Energy Inc.)

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