



## 3 Stocks off the Beaten Path

### Description

As investors it is easy to focus on the top 20 stocks or so on the TSX, but that may mean you miss out on lesser known successful companies. Smart investors know how to diversify themselves and keep an eye open for hidden gems amongst the tickers.

#### AutoCanada Inc. ([TSX: ACQ](#))

This company is a rarity in Canada as a publicly traded automotive dealership network; it is currently one of the country's largest dealership groups with 32 locations in six provinces. To give some perspective, two of its largest competitors are the privately held Dilawri Group with 46 dealerships and the Jim Pattison Auto Group with 22 dealerships. One potential hiccup the company faces are prohibitions by **Ford**, **Toyota** and **Honda** on publicly traded companies owning their franchises.

The company has seen exceptional growth in the past couple of years by employing a growth strategy of targeting smaller groups or single locations owned by people ready to retire but who have been unable to find a local successor. The company is expecting to add another 10 to 12 dealerships in the next two years. That number could rise even higher if it is able to acquire entire dealership groups.

The company's stock has climbed from \$17.03 on March 22, 2013, to \$55.69 on March 21, 2014, with a 52-week high of \$54.99. Revenues in 2013 came in at \$1.4 billion up from \$1.1 billion in 2012. On the net income side, it earned \$38.1 million (\$1.89 per share) in 2013, and saw a net income of \$24.2 million (\$1.22 per share) in 2012.

#### Methanex ([TSX: MX](#))([NASDAQ: MEOH](#))

Another hidden gem on the TSX is Methanex, a company whose sole purpose is the production of methanol. The company is currently the world's largest producer and supplier of methanol to the major international markets in Asia Pacific, North America, Europe and South America. This is an easy claim to make for a company that sold 7.9 million tonnes of methanol in 2013, up from 7.4 million tonnes in 2012.

Methanol is a highly flammable liquid formed by combining oxygen and natural gas (sometimes made

from coal), which converts into a liquid. Methanex's customers use methanol either for producing traditional chemical derivatives, (formaldehyde, acetic acid, and a variety of other chemicals) or energy-related applications, (used pure as a race fuel, blending it into gasoline, or as a feedstock in the production of dimethyl ether). But one of the most intriguing new uses of methanol is as a catalyst ingredient in biodeisel.

Methanex's stock is trading in a 52-week range of \$38.04 to \$81.24 (March 7, 2014), and closed Friday at \$74.20. Revenues took a nice jump from 2012's \$2.543 billion, reaching \$3.104 billion in 2013. Net income also saw an impressive improvement in 2013 with \$329 million, up from a \$68 million loss in 2012.

### **Stella-Jones Inc ([TSX: SJ](#))**

Our last company is a producer and marketer of industrial treated wood products, such as railway ties, power line poles, construction timbers, and foundation pilings. The company has seen ongoing growth through some key acquisitions and has recently announced that it has signed a letter of intent to purchase the wood treating facilities of Boatright Railroad Products Inc. When this deal is completed, the facility will be added to Stella-Jones' current network of 24 wood treating plants, 10 pole peeling facilities, and a coal tar distillery. Stella-Jones' production network currently spans five Canadian provinces and 15 American states.

Stella-Jones closed out 2013 by marking its 13 consecutive year of growth and saw sales reach \$970 million, up from 717 million in 2012. Its net income also saw an impressive gain with \$92.5 million (\$1.34 per share), compared to \$73.1 million (\$1.13 per share). As an added bonus the company raised its quarterly dividend by 40% to \$0.07 per share.

The company is trading in a 52-week range of \$18.30 to \$30.75, which it reached on March 21, 2014. Since this new high, analysts have raised the stocks price target from \$31.00 to \$35.00.

### **Foolish bottom line**

While it may be easier to focus on the more popular stocks in the TSX, there are gains to be made by seeking out lesser known well operated companies. These three companies are just a snap shot of what is available to investors looking to have a portfolio that stands out from the rest.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NASDAQ:MEOH (Methanex Corporation)
2. TSX:ACQ (AutoCanada Inc.)
3. TSX:MX (Methanex Corporation)

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