



How You Could Have Turned \$45,000 Into \$1 Million in 5 years

Description

The past five years have been extraordinary good for Canadians, as well as for other stock market investors. Of course the starting point for the measurement was 1 April 2009 – which marked the bottom of a vicious bear market and coincided with the depths of the financial market crisis when very few investors had much interest in investing.

Nevertheless, for those investors who held a broad Canadian portfolio of shares, for example the **S&P/TSX Composite Total Return Index** (^TRGSPTSE), the total return was 90%, or almost a doubling of the original investment amount over a five-year period.

As one would expect, the performance of individual stocks varied considerably around the midpoint provided by the broad index. The three best performing stocks (including price appreciation plus dividends reinvested in the stock), out of the 238 stocks currently included in the index, have delivered spectacular results – turning a \$45,000 portfolio consisting of these three stocks into \$1 million over the five years.

Company	Full period return, 3/31/09 to 3/31/14
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Intertape Polymer Group	2,547%
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Canadian Energy Services	2,077%
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Linamar Corporation	1,980%
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Source: Thomson Reuters

Intertape Polymer Group ([TSX: ITP](#)) is a mid-size company considered to be a leader in the

specialised packaging field, producing a variety of paper and film based tapes, polyethylene and specialized polyolefin films and packaging systems for industrial and retail use. The company has headquarters in Quebec and Florida and employs 1,800 staff with operations in 16 locations in North America and Europe.

Over the past five years, the company turned its fortunes around from a multi-year loss-making position to a sizable profit in 2013, reduced the debt burden, and generated considerable operating and free cash flows. This was achieved through a focus on manufacturing cost reduction including plant closures, production line consolidation, and an emphasis on the sale of higher margin products. In the process, the profit margins improved dramatically, which was well rewarded by the stock market.

The core businesses of **Canadian Energy Services** ([TSX: CEU](#)) are the production of drilling fluids systems for North American-based oil and natural gas producers and specialty chemicals for use in the energy sector. The company is headquartered in Calgary, and has operations in Western Canada and in 20 states in the United States.

The company's share price declined by more than 50% during the months leading to the bottom of the stock market in March 2009, forming a very low base for future performance. The recovery that followed over the next 18 months saw the share price increasing by 640% supported by a strong recovery in the operating performance and profitability of the company.

After a short reprieve, the share price took off again in mid-2012, trebling in value to the end of March 2013. This performance was driven by another strong improvement in operating income in 2013 after the completion of two major acquisitions during the year.

Linamar Corporation ([TSX: LNR](#)) is a manufacturer of engineered products for passenger and commercial and industrial vehicles as well mobile industrial equipment. The company has more than 18,000 employees in multiple locations in North America, Europe, and Asia.

This is another company that declined sharply in the period preceding 2009 – in this case by 91% from the 2007 peak. To many investors, motor car part manufacturers would have had very little chance of surviving in the 2009 market meltdown. However, the company not only survived after posting a rare loss in 2009 but performed extremely well in the years thereafter, culminating in a record level of profitability in 2013. The share price fully reflected the extraordinary profit improvement over the five-year period.

Foolish bottom line

In five fabulous years of stock investing, some companies managed to generate spectacular returns for investors. Two lessons seem apparent: First, moments of despair on the stock market can create brilliant investment opportunities and second, the identification of companies with good prospects and undervalued stock prices can significantly enhance returns.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CEU (CES Energy Solutions Corp.)

2. TSX:ITP (Intertape Polymer Group)
3. TSX:LNR (Linamar Corporation)

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