# Should Investors Sell These 3 High-Flying Stocks?

## Description

The last five years have been good for investors. While the recovery from the Great Recession took longer than most people would have liked, no one can deny that, in 2014, life is pretty good. Markets are bumping against record highs. Unemployment numbers are down to levels last witnessed before the recession. Emerging markets continue to chug along. Sure, there have been pockets of weakness in certain sectors, but weakness is the exception, not the rule.



Many investors are in an interesting spot. Just about every stock is up substantially from 2009 lows. Investors have to ask themselves one simple question: After such a nice performance, does this stock still have the wings to fly higher?

This question isn't so easy to answer. It's easy to make both a bull case and a bear case for plenty of different stocks. That said, let's take a look at three of Canada's best-performing names, and see whether there's still room for the share price to go higher.

**Magna International**

Since the 2009 lows, shares in **Magna International** (TSX: MG)(NYSE: MGA) are among the best-performing in the world, rising more than 526%, which doesn't even include dividends. Can the auto parts maker continue to outperform?

Ultimately, the fortunes of Magna are tied to North American auto sales, which are still looking strong. The average vehicle on the road is more than 12 years old, meaning our auto fleet is older than at any point in history. At some point, all these cars are going to have to be replaced.

Magna is also strong in hybrid and electric engine parts, perhaps the industry's largest growth area. There's no reason to think that gasoline prices in the future won't be strong, so consumers are increasingly buying cars that are smaller, better on gas mileage, and in some cases, even fully electrical. These trends mesh nicely with Magna's core strengths.

It's not all clear sailing for Magna, however. The reason North America's auto fleet is so old is that cars are built better these days, and last longer than in previous generations. And even though electric cars will clearly play a big role in the future, sales so far have been somewhat anemic. Today's electric cars just don't have the range to be truly effective.

The company trades at a reasonable 15 P/E ratio, and earnings estimates see 2014's earnings growing a bit, but not much. Even though the company's shares have increased more than 500% over the past five years, the company's book value during that time is up only a fraction of that percentage.

Magna's growth is drying up, but the company is still reasonably valued. Still, I'd consider selling my shares if I were sitting on such a big gain.

**Canadian Pacific Rail**

Thanks to recovering economic conditions and a very involved activist shareholder, shares in **Canadian Pacific Rail** (TSX: CP)(NYSE: CP) are up 316% since this date in 2009, again not including dividends.

Compared to its rival, **Canadian National Rail** (TSX: CNR)(NYSE: CNI), Canadian Pacific not only trades at a more expensive P/E ratio, but Canadian National Rail has significantly bought back shares while Canadian Pacific stood idle. Canadian Pacific has just recently announced a share buyback program instead of increasing its dividend significantly, even though shares are at record highs. It's generally not a good idea to buy back shares after such huge gains.



The company also has the Lac-Megantic disaster hanging over its head. While nothing has been decided, the Quebec provincial government continues to go after the company for cleanup costs, and further lawsuits from victims could be a nasty surprise.

If I were a shareholder, I'd definitely sell my shares in this company.

**Dollarama**

Since its IPO in 2009, shares in **Dollarama** (TSX: DOL) are up 383%, and I think the company still has room to grow.

Recent sales numbers were nothing short of spectacular, especially with so many other Canadian retailers struggling. Same-store sales were up nearly 5%, and total sales were higher by more than 14%, thanks to the company's ambitious expansion plans. Operating margins and net earnings also showed significant strength compared to last year's numbers.

The company plans to open 120 more locations over the next 18 months, increasing its store count to nearly 1,000. An analyst report estimated that the Canadian market could support an additional 1,700 stores over the longer term, meaning there's plenty of untapped demand for the dollar store concept.

The future looks bright for Dollarama. If I held shares, I'd continue to hold on until the company's growth starts to waver. At this point, it's firing on all cylinders.

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. NYSE:CP (Canadian Pacific Railway)
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3. TSX:CNR (Canadian National Railway Company)
4. TSX:CP (Canadian Pacific Railway)
5. TSX:DOL (Dollarama Inc.)
6. TSX:MG (Magna International Inc.)

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nelsonpsmith