Yawn All the Way to the Bank With Metro Inc. and Canadian Utilities Limited

Description

Maybe it's because of the image Hollywood has given Wall Street, but for some reason people think investing has to be exciting.

While there are a group of people who make fantastic profits by day trading, for the most part it's a sucker's game. If commission costs don't kill you, it'll likely be some other fatal error. Besides, who wants to stare at charts and patterns all day?

Most successful investors are lazy. They sit back, and patiently look for something to buy. Once they've identified their stocks, they'll often go years without doing anything, except take dividend cheques to the bank. It might not be an exciting life, but it's pretty profitable.

Save the excitement for other parts of your life and invest accordingly. That means forgoing sexy tech stocks, complicated options, and stocks that regularly yo-yo throughout the trading day, and investing in steady businesses like **Metro Inc.** (TSX:MRU) and **Canadian Utilities Limited** (TSX:CU).

Let's take a closer look at these "boring" stocks.

Metro

Metro is Canada's third-largest grocery chain, with 588 supermarkets located in Ontario and Quebec, as well as 268 drugstores, which are primarily located in Quebec. In 2014, the company's sales exceeded $11 billion, and profits were $450 million.

The grocery business isn't known to be very exciting, but Metro's shares have still performed well. Shares are up more than 60% over the last year, and up nearly 150% over the last five years. Plus, the company's dividend has grown from six cents per share, per quarter, to nearly 12 cents, a growth rate not matched by many other large-cap stocks. Considering the company's payout ratio is a paltry 26%, the sky is pretty much the limit for investors looking for dividend growth.

Plus, the company is buying back stock at an aggressive clip. At the end of 2011, there were more than 302 million shares outstanding. At the end of 2014, that had dropped significantly to just 253 million. An additional 5.7 million shares are scheduled to be bought back in 2015.

Rumours have swirled around Metro for months, speculating that it is likely to bolster its drugstore portfolio by bidding on **Le Groupe Jean Coutu PJC Inc**, the largest chain of pharmacies in la belle province. The Coutu family would have to approve the deal, since they control the company, but combining forces makes all sorts of sense, considering the strength of competition.

Canadian Utilities

It doesn’t get much more boring than groceries, but electricity and natural gas generation and delivery get pretty close.

Essentially, Canadian Utilities has two main assets, both under the Atco name. Atco Electric owns power plants and other infrastructure in Alberta, Yukon, the North West Territories, and Australia. The company also owns natural gas assets across a similar geographic footprint. Canadian Utilities owns the infrastructure that gets power and natural gas to your house.

The company is reasonably valued, trading at just 16 times its trailing earnings, and 17 times 2015’s earnings. Revenue is expected to grow approximately 8% per year on the back of $5.8 billion in capital spending through 2017. That’s not bad for a boring utility company.

But perhaps the best feature of Canadian Utilities is the consistently rising dividend. Starting in 1974, the company has raised its annual dividend an amazing 41 consecutive years—one of the longest streaks in Canada. The current yield is 2.8% and the payout ratio is just 47%, leaving room for plenty of hikes in the future.

If you want excitement, go to the hockey game. If you want investment success, intentionally make your portfolio boring. You’ll sleep well at night and never have to worry about technical analysis again.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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