



Steal These 3 Investing Tips From Jim Pattison, Canada's Warren Buffett

Description

Considering the man is worth \$7.39 billion—which made him the fifth-richest man in Canada in 2013—Jim Pattison doesn't get nearly the attention he deserves.

There are several reasons why other billionaires consistently make headlines rather than Pattison. He's notoriously an introvert who tends to avoid interviews if he can. His company is also private, which means he never has to make himself available to investors or the media for things like quarterly conference calls. And finally, he holds some of the most boring investments out there. Major holdings include grocery stores, car dealerships, advertising billboards, and radio and television stations in western Canada.

It's a true shame that Pattison isn't more generous with his knowledge, since he obviously has a lot to teach all of us. Still, over the years, he's revealed quite a few of his secrets. Let's take a closer look at three of them.

Buy when industries are depressed

Pattison started buying shares of **Canfor Corporation** ([TSX:CFP](#)) back around the turn of the millennium and kept on buying during its troubled times between 2006 and 2009. These days he owns approximately 43% of the shares in the wood-products producer.

His reasoning was relatively simple. The company had dealt with various issues, which seemed to culminate in 2007. The U.S. housing market had turned, and a beetle infestation was reeking havoc on its forests. Pattison stepped in because he thought Canfor still had a good long-term future, despite the short-term headwinds. In other words, he bought when the future looked the least bright.

His patience was rewarded. Even though the stock is down from the high set earlier this year, he's still sitting on a handsome profit. He continues to play a big role in Canfor's business even today, sitting on the company's board of directors along with trusted aide Glenn Clark.

Buy boring industries

Pattison's success stories all tend to focus on boring businesses. The perfect example is SunRype Juice.

There's never going to be much growth in the juice business. But the company is the leader in the category in Canada, commanding the majority of the shelf space in our grocery stores. In 2013, Pattison took it private for just \$37 million. It wasn't a big deal, but it nicely represents the kind of transactions the company likes to do.

Like Warren Buffett, Pattison's deals tend to involve the former execs staying on to run the show for him. He then meets with them four times per year, giving them all sorts of freedom if results warrant it.

Auto dealerships

In 1961 Pattison first ventured into owning his own business, buying a **General Motors** dealership at the age of 32. These days, he owns 24 different dealerships in Canada, with the vast majority located in British Columbia.

It isn't just Pattison who likes the dealership business model. Both Warren Buffett and Bill Gates also hold large investments in car dealers. Buffett bought Van Tuyl Group earlier this year, while Gates holds a large investment in **AutoNation**, the largest U.S. group of dealerships.

Canadian investors can easily invest in the sector via **AutoCanada Inc.** ([TSX:ACQ](#)), the nation's only publicly traded car dealer. Shares of the company have been hammered hard since peaking at nearly \$90 each back in 2014, falling to as low as \$25 per share. The current price is \$32.60.

The reason for the decline is Alberta. Dealerships in the province were selling plenty of high-margin pickup trucks to oil employees. When the price of crude collapsed, so did sales of these trucks. The company has been able to partly make up for it with increased repairs through its service bays, but it's still hurting.

Still, profits through the first half of the year haven't been so terrible. It has already made \$0.75 per share, putting it on pace to trade at 21.7 times 2015's earnings. That's not bad, especially considering these earnings will get a bump when conditions in Alberta improve.

The further expansion potential is enormous as well. There are thousands of dealerships across Canada that are held by owner-operators. When these guys look to retire, both AutoCanada and Jim Pattison's auto group will have the opportunity to consolidate the industry further.

CATEGORY

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1. TSX:ACQ (AutoCanada Inc.)
2. TSX:CFP (Canfor Corporation)

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