



## The 2nd-Best TSX Stock to Buy at Over \$100

### Description

A total of 112 stocks on the S&P 500 currently trade for more than \$100. That's nearly one-quarter of the index's total constituents. The TSX, by contrast, has just eight stocks to buy that trade in triple digits, a phenomenon that's partially due to the Canadian index's inability in recent years to deliver performance.

In my experience writing about U.S. stocks to buy, I've found that there are a lot of good opportunities above the \$100 threshold. Unfortunately, the same can't be said here in Canada—at least at the moment.

The best TSX stock to buy over \$100 is, and probably will be for years to come, **Fairfax Financial Holdings Ltd.** ([TSX:FFH](#)), the insurance company run by Prem Watsa that masquerades as a very competent **Berkshire Hathaway Inc.** clone. There's no comparison.

So, what is the second-best TSX stock to buy at over \$100?

Well, if you consider past performance, the easy winner is **CCL Industries Inc.** ([TSX:CCL.B](#)), whose five-year annualized total return through April 28 was 49.2%, more than double the annual return of its nearest competitor, **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)), which delivered a more pedestrian 19.5% on an annual basis.

Both delivered for shareholders. If you owned either stock during this period, you've done well. Of course, past performance doesn't indicate future success.

Looking out three to five years, who do I believe has the goods to deliver index-beating returns?

I have to go with Canadian Tire for three basic reasons.

First, Canadian Tire is in the midst of a digital renaissance. Early in its transformation, the company admitted it was behind the times when it came to selling its goods online and to a lesser extent, technology itself. So, in an effort to solve that, it spent \$400 million to put itself back in the game. Study after study has shown that successful retailing is a combination of bricks and clicks. Omnichannel,

multi-channel, call it what you will, you need both, and Canadian Tire's working to make that a reality.

Second, Canadian Tire's purchase of Sport Chek continues to pay dividends for the company. Although its FGL Sports division didn't meet the internal goal of 9% revenue growth in 2015, it did deliver 4.4% same-store sales growth this past year. Once Alberta gets back on its feet, you can expect the sports division to deliver much better growth year over year. This one acquisition, albeit five years in the rearview mirror put Canadian Tire in the driver's seat for decades to come when it comes to sporting goods here in Canada. It's a huge competitive advantage.

Finally, Canadian Tire has the most reasonable valuation both in terms of its own historical numbers and the TSX itself. Trading at 16 times earnings or less than half **Lululemon**, the other Canadian-based retailer worth its salt, I believe it has the most upside potential.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. TSX:CCL.B (CCL Industries)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:FFH (Fairfax Financial Holdings Limited)

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