

3 Dual-Class Stocks You Should Own

Description

Bombardier, Inc. ([TSX:BBD.B](#)) is having a good year so far in 2016 with its stock up 41% year-to-date through April 29. The Quebec-based airplane manufacturer managed to snag two major orders for its C-Series jets over the past two months—200 potential planes from **Delta Air Lines** and **Air Canada**—representing a lifeline of sorts for the company.

But it's not out of the woods by any means, despite these orders, and that's got the powers that be in Quebec seeking a bailout from the federal government to ensure Bombardier is able to continue making and selling planes around the world.

Getting in the way of the bailout is the dual-class share structure that gives the Beaudoin family 54% of the votes with just 13% of the equity. Canadians coast to coast would be appalled by such a frivolous use of taxpayer money, especially when it's done to prop up the lifestyle of a rich Canadian family.

Dual-class share structures get a bad rap, but they shouldn't.

For every poor performer such as Bombardier, which is down 20% over the past five years on an annualized basis, there's an equally impressive performance from the likes of **Alimentation Couche-Tard** or **CCL Industries**, whose stocks are up 46% and 49%, respectively, over the same period.

In my opinion, the size of the company and its relative lack of scale has more to do with its failure to perform than the Beaudoin family's voting control. For me, it's all about the business and its method of making money. Bombardier simply has a flawed business model.

These three dual-class stocks don't. Here's why you should consider owning each of them.

With the exception of Alimentation Couche-Tard and CCL Industries, **Canadian Tire Corporation Limited** ([TSX:CTC.A](#)) is easily the best of rest when it comes to stocks trading on the TSX with dual-class structures. Up 19.2% over the past five years through April 29, investors have done well through the long-term stewardship of the Billes family, which controls 61% of its voting shares.

A number of CEOs have served Canadian Tire shareholders in the past decade, but none, in my opinion, has been more influential in its transformation than current CEO Michael Medline, who had a big part to play in its acquisition of Forzani Group in 2011. Without Forzani, Canadian Tire isn't nearly as big a retail powerhouse, both today and in the future.

Canadian Tire is not only a great dual-class stock to own, but it's also part of the exclusive [\\$100-club](#)—those companies whose stock trades over the \$100 mark. It's been in the club since 2013; barring a split, look for it to stay in it.

Lassonde Industries Inc. ([TSX:LAS.A](#)) is all about juice. Whether it be Apple & Eve south of the border or Oasis, Rougemont, Allen's, Fairlee, Everfresh, and others in Canada, the Lassonde family has been producing juice in this country since 1918. Current CEO Pierre-Paul Lassonde holds 92% of

its voting shares, so nothing happens without his say so.

Lassonde stock delivered an annualized total return of 22.9% over the past five years, almost 20 percentage points better than the TSX. It hasn't had a down year since 2008. Up 8.3% year-to-date through April 29, I expect another year of positive returns for the Quebec company.

Do you still have a problem with dual-class stocks? If so, my third recommendation should change your mind.

Brookfield Asset Management Inc. (TSX:BAM.A)([NYSE:BAM](#)) is one of those businesses that I'm just fascinated by. Much like **Berkshire Hathaway**, it's got a lot of moving parts. I won't bore you with all the details (it's always best if you do your own due diligence), but I will say that with more than \$225 billion in assets under management with investments in property, renewable energy, infrastructure, and private equity, it's got its hands in a lot of pies.

How good is its stock?

Since Bruce Flatt's been CEO (February 2002), it's delivered a cumulative total return of 924% compared to 178% for the **iShares S&P TSX Capped Composite Index Fund**.

Again, how much do shareholders care about Flatt and company's ability to exert control when the results have been nothing short of exceptional.

When it comes to dual-class structures, investors only care about good governance in the absence of value. These three have nothing to worry about.

CATEGORY

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TICKERS GLOBAL

1. NYSE:BN (Brookfield Corporation)
2. TSX:BBD.B (Bombardier)
3. TSX:BN (Brookfield)
4. TSX:CTC.A (Canadian Tire Corporation, Limited)

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Author

washworth

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