



Steal These 3 Timeless Lessons From Billionaire Investor Jim Pattison

Description

Jim Pattison's story should be one that inspires wannabe billionaires.

After spending most of his 20s doing odd jobs like working as a dining car attendant on a train and as a construction labourer, Pattison finally found his niche selling cars. After becoming one of Vancouver's most successful car salesmen, he convinced a local bank manager to lend him eight times the branch's limit towards opening up his own car dealership. At the age of 32, it would prove to be Pattison's big break.

Pattison quickly expanded his fledgling empire. In 1965 he acquired a radio station. In 1967 he went into the outdoor advertising business. A year later came the acquisition of Overwaitea Foods, a local Vancouver grocery store.

The rest, as they say, is history. Pattison's group of companies has grown to become one of Canada's largest conglomerates, and Pattison himself is worth approximately US\$5 billion.

I'm a firm believer that investors can learn a great deal from Canada's richest billionaires. Here are three lessons from Pattison's business career that are invaluable to investors today.

Be aggressive

During Pattison's early days, he constantly had to negotiate with banks to lend him more money. All he cared about was getting the capital for his latest business venture, which led him to commit various faux pas like pitting two bankers against each other.

I'm not suggesting investors go and borrow every nickel they can get their hands on. But I do know there are thousands of investors out there who are sitting on a collective mountain of cash, worried about putting money to work. Some think valuations are too high. Others are worried about macro issues like commodities or the housing market, and so on.

One thing Pattison realized better than anyone is that opportunity costs matter. Like any deal maker, he made mistakes. Some ended up costing him millions. But overall, the winners more than made up

for the losers.

Buy stable businesses

There's one major thing all of the cogs in Pattison's empire have in common. They're simple, easy to understand businesses.

Take one of his largest holdings, Overweitea Foods, which has grown into one of western Canada's largest grocery chains with approximately 135 stores in British Columbia, Alberta, and Saskatchewan. Most Overweitea stores have been rebranded as Save-on-Foods locations.

Investors looking for equivalent exposure for their own portfolios should look no further than **Empire Company Limited** ([TSX:EMP.A](#)), which is Canada's second-largest grocer. Like Save-on-Foods, Empire's Sobeys and Safeway stores cater to shoppers that prefer a nicer experience over getting the lowest possible price. Empire is also controlled by a founding family.

Empire is by far the cheapest grocery stock in Canada. Its price-to-sales, price-to-operating earnings, and price-to-book values are far lower than its peers. The market is punishing the stock because of its Safeway acquisition in 2014, a deal which looks too expensive and ill-timed. But these locations will pay off in the long term for patient investors.

Let compounding work

One of the most inspiring parts of Pattison's story is his late start. He didn't even own a car dealership until his 30s.

It takes a long time to really build wealth. Sure, Pattison was aggressive and made savvy moves, but it still took him decades to go from regular working guy to business owner to millionaire. And then it took decades after that to go from millionaire to billionaire.

Investors need to be equally as patient, something that's difficult in today's impatient world. Take a stock like **Telus Corporation** ([TSX:T](#))([NYSE:TU](#)), one of Canada's most popular dividend stocks. Although Telus has exposure to lucrative wireless, wireline, and Internet businesses, many investors avoid the stock and the sector, claiming it to be too "boring."

Long-term investors have had the last laugh. Even though Telus stumbled hard in 2001-02, a \$10,000 investment in the company 20 years ago would be worth more than \$71,600 today if dividends were reinvested. That works out to a return of 10.3% per year, which isn't really that shocking of a return. It's the amount of time invested that did most of the heavy lifting, not the annual return.

CATEGORY

1. Dividend Stocks
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1. NYSE:TU (TELUS)
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