

3 TSX Stocks Growing Book Value Faster Than Warren Buffett

Description

Over the past 50 years, **Berkshire Hathaway Inc.** (NYSE:BRK.A)(NYSE:BRK.B) has grown book value per share 19.2% annually—significantly higher than either the S&P 500 or the TSX Composite Index.

Virtually no other companies in either the U.S. or Canada have achieved this kind of long-term value creation for its shareholders.

GARP investor Jason Donville, CEO of Toronto-based Donville Kent Asset Management, is one of Canada's most successful fund managers with a performance record that's second to none. Since inception (October 1, 2008), his Capital Ideas Fund LP hedge fund has achieved cumulative returns of almost 500%.

Donville believes that companies that focus on growing book value per share at a steady pace will do well over the long haul as long as the returns on equity keep pace. In many respects, says Donville, growth in book value per share is a better sign of growth than earnings per share.

In the past five years, Berkshire Hathaway has grown its book value per share at a far more pedestrian rate of 10.4%. It's impressive when compared with similar-sized peers; Buffett has set the bar pretty high.

However, these three TSX large caps have been more than up to the challenge and would look good in any investor's portfolio.

Constellation Software Inc. ([TSX:CSU](#))

Book value per share CAGR (2011-2015) = 22.2%

Donville's fund has owned the software company's stock since 2008, citing CEO Mark Leonard's ability to grow its business as a big reason for continuing to hold. "If I was starting a fund today, for sure I'd be buying this stock," Donville said in a March 2015 article in *The Globe & Mail*. "The market is getting expensive ... but the ones that will make it okay through the other side are those that have high enough growth ... and that would certainly be Constellation Software."

Because Donville runs a hedge fund and doesn't have to disclose his holdings, I can't say definitely if he still owns it a year after those comments, but given that Constellation's stock continues to [perform](#)—up 16% in the last three months—and its revenues and earnings are still growing at double-digit rates, I don't see a problem with owning CSU stock despite being within 6% of its all-time high of \$616.90.

CGI Group Inc. ([TSX:GIB.A](#))([NYSE:GIB](#))

Book value per share CAGR (2011-2015) = 18.8%

Canada's largest IT services provider and the partner of choice for both the public and private sector, CGI Group has delivered book value growth almost on par with Constellation Software, making it one of Quebec's, and Canada's, greatest technology stories.

With good things happening in Asia, CGI has become Caisse de dépôt et placement du Québec's [largest](#) equity holding, and, while the company hasn't delivered 20% return on equity—a must for Jason Donville—it has managed to keep that very important metric in double digits.

Equally important, CGI's stock hasn't had a down year since 2008 when it lost 17.1%—considerably less than the TSX.

CCL Industries Inc. ([TSX:CCL.B](#))

Book value per share CAGR (2011-2015) = 12.5%

While the specialty packaging company hasn't grown book value per share nearly as prolifically over the past five years as the other two, its shareholders have been generously rewarded for their faith in management to grow its business.

While CCL's growth in book value per share was almost half that of Constellation Software, its five-year annualized total return was 53.7%, just 168 basis points fewer than Constellation, but almost 30 percentage points higher than CGI Group.

In the past five years, CCL has become a more profitable company, and that's reflected in its return on equity, which has almost doubled to 20.8% in 2015. If it keeps up this pace I wouldn't be surprised if it's able to grow its book value per share by 20% or more over the next five years, which would put it in the same league as the other two and most certainly provide additional market-beating returns for its shareholders.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BRK.B (Berkshire Hathaway Inc.)
2. NYSE:BRKA (Berkshire Hathaway Inc.)
3. NYSE:GIB (CGI Group Inc.)
4. TSX:CCL.B (CCL Industries)
5. TSX:CSU (Constellation Software Inc.)
6. TSX:GIB.A (CGI)

Category

1. Investing

Date

2025/08/25

Date Created

2016/10/25

Author

washworth

default watermark

default watermark