



## This Growth Stock Is on the Rise: Is it Too Late to Get in?

### Description

**Stella-Jones Inc.** ([TSX:SJ](#)) just rose 10% from its recent low of about \$44. Is it too late to get in on this amazing growth stock?

First, let's review what Stella-Jones has done for its long-term shareholders.

telephone pole.jpg

### Outstanding performance

Since 1998 **Stella-Jones Inc.** ([TSX:SJ](#)) has had annualized returns of more than 27%, equating to a rate of return of 9,808%. In other words, a \$10,000 investment would have transformed into more than \$990,000!

Between 1998 and 2008, the company had annualized returns of 35.6%, equating to a rate of return of 2,000%. A \$10,000 investment would have turned into \$210,000.

Let's say you'd only learned of the company right before the last recession hit and bought at \$10 and change; you would still have experienced annualized returns of more than 19%. This is despite the fact that the shares fell to as low as \$3 and change during the recession.

During the recession, all kinds of stocks were sold off without looking into the fundamentals of individual companies. At \$3 and change, Stella-Jones was trading at a dirt-cheap multiple of about six, while the company continued to generate earnings-per-share growth throughout the recession.

However, that's all in hindsight. Back then, negative sentiment must have plagued the market.

### What about future performance?

You hear all the time that past performance doesn't indicate future performance. However, it does give some hint.

Even just looking at the recent past, from 2007 to 2015, Stella-Jones compounded its earnings per

share at an average rate of 18.9%.

This is thanks to its perceived boring (but stable) business in manufacturing pressure-treated wood products for railway and utility companies and its capability to make accretive acquisitions over the years.

### **Rewarding shareholders**

Let's not forget that at the same time Stella-Jones has been delivering double-digit average annualized returns, it has also been hiking its dividend at a compounded annual growth rate of 28.7% since 2005.

If you bought the shares in 2005 and held the shares until now, your yield-on-cost would have skyrocketed from 2.5% to 21%.

Imagine getting a 21% on your original investment every year! And, of course, its dividend is sustainable with a low payout ratio and is expected to continue to grow in future years.

### **Is Stella-Jones a good buy now?**

Even when I started writing about the company in August, and it was trading just under \$45 per share, it wasn't particularly cheap, as it was trading at about 19 times earnings.

However, the shares have been consolidating for the past year or so, and it seems to be breaking out. I think it partly has to do with the anticipation of positive results on its earnings release on November 8.

If you're a long-term investor, it should be all right to buy at current levels, despite the recent 10% pop. That said, shares can be especially volatile around earnings report time. Cautious investors should wait for the results next Tuesday or wait for a dip before buying.

### **CATEGORY**

1. Dividend Stocks
2. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. TSX:SJ (Stella-Jones Inc. )

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Author

kayng

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