These 3 So-Called Boring Stocks Turned $10,000 into $100,000

Description

Many investors think big returns come from taking huge risks.

There's certainly truth to that statement, but there's more than one way to get outsized returns.

One of my favourite methods is looking for smaller companies in huge potential markets that have all sorts of growth potential. Tech is a popular place to look for these long-term winners, but it certainly isn't the only place to go digging. In fact, some of Canada's best-performing investment ideas over the last decade have come from sectors a growth investor wouldn't expect.

Here are three of Canada's biggest long-term winners–stocks that still have plenty of growth potential left.

Saputo

In December 2001, **Saputo Inc.** (TSX:SAP) was trading at a split-adjusted level of approximately $7 per share. These days, the company's stock trades hands for nearly $45 each. That's not bad for a company that makes milk, cheese, and yogurt.

In fact, including reinvested dividends, a $10,000 investment in Saputo made 15 years ago would be worth $101,833 today.

The secret to Saputo's success has been growing abroad. The worldwide milk business is fragmented, since the product is perishable and can't be shipped long distances. This has enabled the company to scoop up assets first across Canada, then Europe, the United States, Argentina, and, most recently, Australia.

There are still plenty of potential growth paths left for Saputo to take. Management has identified additional targets in the United States as well as Brazil and New Zealand. Additionally, the company is bullish on China, where the average citizen only consumes 28.7 kg of milk each year. Compare that to Canada, where we consume 206.8 kg per person per year. There isn't much potential to sell fluid milk to the Chinese, but Saputo is having success shipping powdered milk from its Australian plant into the world's most populous nation.

Yes, Saputo shares are expensive, currently trading hands at nearly 26 times earnings. But if it can grow as much in the next 15 years as it did in the previous 15, nobody paying a premium today will mind.

Dollarama

In a world where the average Canadian is riddled with a record amount of debt, it's easy to be bearish on retail. And for the most part, that trend has been right. **Dollarama Inc.** (TSX:DOL) has been the exception.

Oh, what an exception. Since the company's 2009 IPO, shares have steadily headed higher, rising from a split-adjusted IPO price of $9 each to today's price of $102.45. That's a 39.19% annual return, enough to turn a $10,000 original investment into one worth $106,306 today, including reinvested dividends.

That's not bad for just seven years.

The growth party doesn't appear to be over, either. It recently surpassed 1,000 stores and has plans to open hundreds more. Price points have been successfully increased; $4 items are now commonplace in stores. And the company also has an option to buy Dollar City, a briskly growing Central American chain of dollar stores.

High Liner

Even after shares fell more than 22% in the last month after it posted earnings that did not meet investor expectations, **High Liner Foods Inc.** (TSX:HLF) has still returned 17.4% annually over the last 15 years, including dividends. A $10,000 investment in the seafood processor back in 2001 would be worth $111,159 today.

High Liner is North America's frozen seafood leader, but there's still plenty of worldwide growth potential. It has invested heavily into factories that can make value-added products, and doing so has increased margins. And there's no denying the health benefits of eating fish–a trend which looks poised to accelerate as our population ages.

High Liner is also attractively priced. Over the last 12 months, the company has done $2.20 per share in free cash flow, putting it less than nine times that metric. It's not often investors get to find a stock that has grown revenues by more than 16% per year for the last decade when it's selling at that kind of multiple.

The bottom line

There's no guarantee that any of these companies can maintain their torrid growth, of course. But they all still have plenty of potential left, and you can't argue with previous results. Will you be left on the sidelines when these proven compounders begin their next move up?

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:HLF (High Liner Foods Incorporated)
3. TSX:SAP (Saputo Inc.)

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