



## Is Jean Coutu Group PJC Inc. a Top Pick for 2017?

### Description

**Jean Coutu Group PJC Inc.** (TSX:PJC.A) is a Canadian drugstore chain with over 400 locations across New Brunswick, Quebec, and Ontario. The company took a huge dip in 2015 and has been flat for the majority of 2016. Could 2017 be the perfect opportunity to get into this stock before it rebounds to its high?

Jean Coutu is a dividend-growth king that has flown under the radar of most investors for years. The company has a huge presence on the east coast, so those on the west coast may not be familiar with the name. The company has increased its dividend almost every year over the past decade and will continue to for the next decade. Currently, the stock pays a modest 2.3% yield, but if you hold the stock for the long term, this dividend will grow by leaps and bounds over the next few years, even if the economy goes down the gutter.

The company fairs quite well during recessions because people need to get their medication, and this will never change, even during the harshest of economic environments. If you're looking to add some stability and safety to your portfolio, then Jean Coutu is a fantastic choice. The Baby Boomer generation is getting old, and they're going to need more medication over the next decade; Jean Coutu is a terrific way to play this trend.

The company has a fantastic return on equity of 18.5% and an equally impressive return on invested capital of 18.36% (these should be key metrics to look at when determining whether or not to buy and hold a stock for the long run). These figures imply that Jean Coutu is very efficient at turning its investments into profit. The management team is also keen on buying back shares; 14% of shares were bought back over the last four years.

The stock is trading at a huge discount to intrinsic value right now, and there exists a significant margin of safety for investors who buy into the stock at current levels. The stock currently trades at an 18.7 price-to-earnings multiple, which is quite high given the low-growth nature of the stock, but I believe this multiple will go down over the next few years as its sales increase due to the long-term trend of increasing prescription drug sales.

The price-to-book multiple is at a ridiculously cheap 3.3, which is considerably cheaper than its five-year historical average multiple of 3.8. The price-to-sales and price-to-cash flow multiples are also significantly lower than historical averages.

I believe there's plenty of upside for shares in Jean Coutu over the next few years, so Foolish investors should load up while the shares are dirt cheap.

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1. Investing

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1. Investing

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