



Reviewing My Top Stock for July

Description

For July, I chose **Lassonde Industries Inc.** ([TSX:LAS.A](#)) as my top stock pick. The company, which is the business of making and distributing fruit and vegetable juices, has been a fantastic success story over the past several years. With a current capitalization of \$775 million, the company carries a beta of 0.16, which is very low by any investor's standards.

Closing the month at a price of \$239.80, the company declined by 2.3% for the month. The return was calculated as follows:

$$(239.80 - 245.48) / 245.48 = 2.3\%$$

Given that no dividends were paid for the month, the price return accounted for the entire return.

The reason I picked Lassonde Industries as my top stock for the month was due to the company's consistent track record of growth in revenues, earnings, and dividend payments. Although the stock did not return a positive number for the month, it is imperative to realize that the company is in a low-risk industry and holds a dominant position. Since 2013, revenues have increased at a compounded annual growth rate (CAGR) of 13.2% from \$1,040 million to \$1,509 million for fiscal 2016.

The earnings per share over the same period grew at a rate of 14.9% from net profit of \$44.94 million in 2013 to \$68.15 million in fiscal 2016. To make things even better, the most recent quarterly earnings showed an increase in earnings per share from the year earlier.

For investors who are asking what piece of the pie they are getting, the answer is, "Not as much as you would have hoped for." Although the dividends paid per share have increased from \$1.48 for fiscal 2013 to \$1.94 for fiscal 2016 (at a CAGR of 9.4%), the dividend-payout ratio still declined from 23% to 19.8%. The company potentially has a significant number of tricks left in the bag for investors to benefit.

Over the past several years, the company has increased dividends very slowly while repaying debt and deleveraging the balance sheet. The buildup of retained earnings, which has been significant, will eventually lead to lower returns on equity. Barring this, the company will either drastically increase the dividend or initiate a share buyback. Over the past four years, the total number of shares outstanding

has not increased by any more than a rounding error. Effectively, there are only a few shareholders who wish to reinvest their dividends into more shares.

Currently trading at a price of \$240 per share, the company is not only a high-priced stock, but it is arguably an expensive stock given the current multiple, which is close to 25 times trailing earnings. Given the excellent track record of the company, many investors are now willing to pay a higher price for a higher certainty of recurring profits. Going forward, there are a number of catalysts that could drive the share price higher. In the process, investors will be the ones to benefit.

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1. Dividend Stocks
2. Investing

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1. TSX:LAS.A (Lassonde Industries Inc.)

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