Why This Boring Stock Is Exactly What You Need in Today's Market

Description

Volatility has hit the markets in full force. Investors live in a reality where a mere tweet can send the markets crashing. How can an investor build wealth in such an unpredictable environment? It's simple: investors need to tone down the pizzazz and ratchet up the boring. Boring may get a bad rap, but it can be quite profitable. **Saputo Inc.** (TSX:SAP) is a prime example of a traditional consumer goods company who may seem un-spectacular on the surface, but its performance says otherwise.

Saputo is Canada's largest producer of dairy products, including cheese, fluid milk, extended shelf-life milk and cream products, cultured products and dairy ingredients. Outside of Canada, it has operations in the U.S., Australia and Argentina. At first glance, there isn't anything particularly exciting about dairy products, but the company isn't afraid to make a splash.

Over the past 21 years, the company has executed on its growth through an acquisition strategy of closing on 27 takeovers worth $5.4 billion. Saputo has grown earnings by a compound annual growth rate (CAGR) of approximately 9% over the past few years; it's now one of the top 10 dairy processors in the world. Since its IPO in 1996, the company's share price has posted a healthy 16% CAGR.

On April 4, the company received Australian regulatory approval for its $1.3 billion acquisition of Australian dairy producer Murray Goulburn Co-Operative Co. Limited. Murray operates 11 facilities in Australia and China, with an annual revenue of $2.5 billion. Once the deal closes, Saputo will be Australia's largest dairy producer. The company is one of the best at executing acquisition synergies, and this transformative acquisition will launch the company to new heights.

Saputo is a solid defensive stock to add to your portfolio. The company's beta is 0.89, which indicates that it is less volatile than the market. Over the past two years, the company has been trading above its historical averages. However, after the most recent correction, the company is now trading below its historical price to earnings (P/E) ratio of 19.3. Likewise, it is trading below the industry P/E and price-to-book ratios.

The company is a Canadian dividend aristocrat, having raised dividends for 18 consecutive years and landing outside of the top 10. The company has a targeted earnings dividend payout ratio between

30% and 35%. Its current payout ratio is just shy of this mark, at approximately 28% which all but guarantees many dividend raises in its future.

Boring is good for your portfolio

Looking forward, analysts expects the company will earn $2.18 next fiscal, a 15% bump over this fiscal year. Its P/E to growth (PEG) ratio is 1.2, which indicates that the company is fairly valued. Investors can probably expect its share price growth to match that of its earnings growth. I'd advise you to find a reliable, steady investment who will not be as susceptible to the market's volatility. As investors wait for the markets to settle, they can enjoy decent share price appreciation, dividend growth along with confidence in a management team that remains committed to growing organically and through acquisitions.

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Date
2025/07/04
Date Created
2018/04/09
Author
mlitalien