# This Great Stock Taught Me a Hard Lesson

## Description

With investing, the greatest teacher is time. Over long periods of time, you can look back and see what you have done right and, more importantly, what you have done wrong. Looking back, I can see one clear example of an investing mistake that I know I have to learn from. The mistake comes in the form of a company called **Empire** (TSX:EMP.A).



I am always looking for deals in the stock market.  Like many investors, I want to emulate great value investors, like Warren Buffett, by having both patience and conviction. I like to buy things on sale, not at the posted retail price. So, a few years ago, when Empire's Safeway acquisition was putting the stock in the dump, I thought I had found a winner for a long-term hold.

I first began buying shares in the low $20 range. There were plenty of reasons why this company made a lot of sense. It was a store that sold groceries, for one thing, a staple for every person in Canada. Everyone needs to eat, right? Its food retail stores are well known across Canada: Sobeys', FreshCo, Safeway, IGA, and more. Empire also has other attractive businesses, such as its Lawton Drugs stores. These are essential businesses.

It also had a great dividend. By the time I stopped adding shares around the $16 level, I was receiving a yield of over 2%, and that yield kept growing while I held the stock. In fact, over that time there were several dividend increases. Everything was in place, I felt I had chosen a stock that was unreasonably punished, and, as a value investor, I would be proven right in the long run. At that time, my average cost was around $18 a share.

Everything went right! The dividends kept increasing, including a 4.8% increase in 2018. The stock price shot up over 50% over the next couple of years to sit at the current price of over $28 a share. That's a pretty decent gain on a grocery stock. An investor holding that stock over through those few turnaround years would have made a decent amount of money from a pretty boring sector.

Unfortunately, I wasn't one of those people. I held Empire through the bad times, as the acquisition follies and oil crisis further compounded its problems as western Canada-focused Safeway suffered. But after almost two years, I had enough. The stock finally perked up enough that I basically got my money back, and I threw in the towel.

Now, in hindsight, it's easy to see that the stock would eventually have moved up. The long-term trend of the company has been up and to the right over the years, providing capital gains and dividend growth for long-term investors. The crisis point where I was investing was one of the best opportunities to buy the stock for years.

## The takeaway

My failure with Empire was that I did not stick to the plan. I'd done the research, monitored the stock, and determined that it was a good buy at an unreasonably low price. Every time I examined the stock, I found the same fundamentals to be sound. The thesis never changed. I simply ran out of patience.

If you are confident that a stock is underpriced due to short-term events, stick with your plan. Patience is the key, and it is the reason that long-term investors like Warren Buffet have such great track records. The Oracle of Omaha once said that if he finds a great company, his "favourite holding period is forever." A stock like Empire would fit into that mould, with its growing dividend, recession-proof business model, and geographic diversification. It has once again shot up, but maybe a great opportunity like the one I missed will come along again.



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