

RRSP Investors: This 1 Stock Is a Must-Buy!

Description

Everyone finds themselves in a grocery store at some point during the week. Whether it's a quick grocery run to pick up milk and bread or a Sunday afternoon haul to pick up breakfast, lunch, and dinner for the week, grocery stores play a big part in our lives.

Not surprisingly, **North West Company** ([TSX:NWC](#)) has been able to capitalize on the consistent and growing demand for groceries. The company operates a conglomerate of grocery stores in Canada's northern territories, Alaska, Hawaii, and other U.S. territories in Oceania and the Caribbean.

The company has a history of solid performance with revenues growing from \$1.6 billion in FY 2015 to \$2 billion in FY 2018, which has resulted in accumulated net income of \$364 million. North West's audacity to operate in these remote locations gives it a quasi-monopoly.

For RRSP investors, this is the ideal stock due to an acquisition-centric growth strategy and dividend yield of 4.41%.

Growth strategy

North West takes a methodical approach to its growth strategy through [acquisitions of value-adding businesses](#).

As of January 31, 2019, the company wholly owns North Star Air (NSA), which is a Thunder Bay-based airline that provides cargo and passenger service within northwestern Ontario. The purchase price was \$31 million, and the company estimated NSA would contribute \$28 million of net cash flow.

I know what you're thinking: "Why did the company pay \$3 million more than what NSA is worth?"

This is very common when acquiring businesses, as companies expect to derive a value in excess of what it paid. Since North West needs a way to transport goods to remote locations, this acquisition is an ideal addition to the company.

Solid dividends

Dividend payouts have grown slightly from \$0.29 per quarter in FY 2015 to \$0.33 per quarter in FY 2019.

This has resulted in a steady dividend yield of around 4.3% for the past four years. Simply put, the company generates a [stable and growing dividend yield](#), which is beneficial for risk-averse, passive investors.

A \$10,000 investment in North West on January 1, 2015, held to today would result in \$1,720 of

dividends and \$1,368 of capital gains for a total return of \$3,087!

The company has demonstrated its ability to grow the business and is a relatively safe investment that provides dividend income and capital gains.

Bottom line

North West's competitive advantage is the fact that it operates in remote areas of the world where companies such as **Loblaw** and **Metro** would not even consider competing. This has allowed it to grow its revenues and generate consistent profits.

The company's talented management team is focused on an acquisition-centric growth strategy with purchases such as NSA that will make its operations more efficient and grow the bottom line.

Further to this, the company pays a generous dividend that grows each year, which means an investment in the company would result in passive and capital gains income.

As the global population rises, the demand for food will grow too. With North West Company, you can get a slice of this pie.

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