This “Boring” Canadian Stock Turned $10,000 Into $100,000

Description

When you think of a stock that has delivered a 10-fold gain on investor capital, chances are, you’d assume it’s a sexy tech stock, an interesting growth-by-acquisition name, or the leader in some new space.

But often, it’s something much different. Stocks that offer these kinds of returns are regular ol’ companies that keep plugging along, slowly making shareholders rich. You won’t impress many people at cocktail parties by owning these names, but that’s okay. Your portfolio doesn’t need to wow people. It just needs to grow.

Let’s take a closer look at a stock that grew an original $10,000 investment into one worth $100,000 in just 15 years. The best part? It delivered these gains while doing an exceptional job protecting investor capital.

Safe as stores

Metro (TSX:MRU) is about as boring as you can find. The Montreal-based company owns and operates more than 600 grocery stores, 650 Jean Coutu-branded pharmacies, and, until recently, a large investment in another Quebec-based retailer, **Alimentation Couche-Tard**. That stake has now been reduced to just over five million shares after the majority of it was sold to pay for the Jean Coutu acquisition in 2018.

Metro’s long-term plans are simple. The company focuses on strong operations, strategic acquisitions, and innovation. For instance, the company just launched an online grocery ordering and delivery service, giving its customers in major markets the option to shop for groceries without even entering the store.

There's also a lot to like about Metro's organic growth prospects. The majority of its stores are located in the Toronto to Montreal corridor, with a strong presence in both of these cities and their suburbs. If you think these places will continue to boom — like I do — then Metro becomes a very attractive investment opportunity. After all, a growing population in each of these cities has to eat.

Recent results have been rock solid. In the second quarter, Metro reported a total sales increase of 12.8% — much of that was because of the Jean Coutu acquisition — but it still posted strong same-store sales increases in both the food and pharmacy segment, with both up more than 3%.

Adjusted net earnings hit $230 million for the quarter, which works out to $0.90 per share. Earnings increased 20% on a per-share basis, showing investors the Jean Coutu acquisition could make a big addition to the bottom line.

And although Metro doesn't offer much in terms of current yield — its payout is a mere 1.4%, as management prefers to spend capital on growth and debt repayment — the company's dividend-growth history has been superb.

The company raised its dividend by 12% in 2018 with a similar increase again earlier this year. The most recent increase marked the 25th consecutive year Metro has raised its dividend, giving it one of the best dividend-growth streaks in Canada.

Turn $10,000 into $100,000

Split-adjusted, one share of Metro cost approximately $5 back in 2004.

After years of smart acquisitions, steady growth, and good decisions by management, the share price recently surpassed $55 per share. That's an 11-fold return on an investment made just 15 years ago, which works out to an approximate annual return of 17.5%.

Most importantly, that was enough to turn an original $10,000 investment into one worth more than $100,000.

Note that this doesn't include dividends, which would have further goosed returns if they were reinvested into more Metro shares.

There's no guarantee Metro can repeat this performance, of course. But remember, the chain is really only in Ontario and Quebec today. It has oodles of potential to acquire another regional Canadian grocery company. Or, it could turn to the U.S. and buy one of the many regional chains there. It could also further expand back into the convenience store business. The possibilities are endless.

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