



## TFSA Investors: Do You Own This Perfect Buy-and-Hold-Forever Stock?

### Description

Some people like to trade aggressively inside their TFSAs, feeling encouraged to do so because of low trading commissions, short-term opportunities, and, most importantly, zero tax implications.

I prefer a different method. My TFSA is stuffed with [terrific long-term stocks](#), the kinds of companies I plan to hold for decades. I'm a big believer in this method since it's really simple and should produce excellent long-term returns.

The only real issue is choosing the right stocks. For me, a long-term winner is a company that trades at a reasonable valuation today, one with great long-term growth prospects and an organization with a terrific management team calling the shots. Put that together, and it narrows down the investing universe considerably.

Let's profile one such company — an excellent long-term performer with ample potential to keep the success going.

### Enter Saputo

**Saputo** ([TSX:SAP](#)) is one of Canada's biggest long-term success stories. The company has transformed itself from a small, regional dairy producer into a worldwide conglomerate.

First, it consolidated the Canadian dairy industry. Next, the company moved its attention to the United States, making multiple acquisitions there. It then focused internationally, gobbling up assets first in Argentina, then Australia, New Zealand, and, most recently, the United Kingdom.

The deal-making hasn't slowed as Saputo has matured, either. In 2019 alone, the company has already closed one acquisition — Dairy Quest in the United Kingdom — while agreeing to buy the specialty cheese business of Lion-Dairy & Drinks in Australia.

These acquisitions have translated into some impressive growth over the years. Most recently, the jump in revenue from fiscal 2018 to fiscal 2019 was an increase of approximately \$2 billion, from \$11.5

to \$13.5 billion. A decade ago, Saputo's revenue was approximately \$6 billion.

Earnings have been down a little bit lately, thanks primarily to acquisition costs. Analysts project a bottom line of just \$1.74 per share this year, although that's expected to rebound nicely to \$2.07 per share next year. This short-term weakness in earnings is likely one reason the stock is languishing under \$40 per share, meaning shares should shoot higher once it becomes obvious Saputo can translate the latest acquisitions into profits.

## Terrific long-term returns

If you had purchased Saputo shares 15 years ago, you'd be sitting pretty today.

An investment made in October 2004 and held until today would have increased by 12.65% annually, assuming all dividends were reinvested. That result absolutely trounces the total return of the **TSX Composite**, Canada's benchmark stock index.

Or, to put it another way, a \$10,000 investment made in Saputo 15 years ago would be worth \$59,718 today with dividends reinvested. That is a pretty solid return, to say the least.

## Dividend-growth potential

Not many people are excited about Saputo's dividend today. The quarterly payout is \$0.17 per share, which translates into a pretty anemic 1.8% yield.

But Saputo has a stellar history of [dividend growth](#) behind it — something that's quietly grown into a pretty impressive streak. In fact, the company has increased the payout each and every year since its 1998 IPO. This 21-year streak is among the longest dividend-growth streaks in Canada.

The company's low payout ratio ensures it can continue to raise the payout, even if it has other priorities. It targets a range of approximately one-third of earnings going back to shareholders, with the rest allocated to expanding or paying off debt.

## The bottom line

Saputo offers investors steady growth potential, a long-term track record of excellent returns, and one of Canada's best dividend-growth streaks. Plus, thanks to recent weak earnings, shares are close to a 52-week low. If you're a believer, now would be a great time to stash this stock in your long-term TFSA wealth fund.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:SAP (Saputo Inc.)

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