



Turn Your \$6,000 TFSA Contribution Into \$138,000 With This Canadian Dairy Powerhouse Stock

Description

One of the best things that has happened to Canadians from an investment perspective is the TFSA and the ability to sock away \$6,000 per year, which is left to grow tax-free for decades until retirement.

Today, I am delighted to present a true Canadian powerhouse on the global stage that has the scale to lead the industry and therefore is deserving of a place in your TFSA portfolios. My regular readers know that I love homegrown Canadian success stories like [Nutrien that can dominate on the world stage](#) and lead the way.

To that end, I will devote today's discussion to **Saputo** ([TSX:SAP](#)), one of the world's 10-largest dairy processors. Saputo is the top dairy producer in the United Kingdom, second in Argentina, and a leading producer on its Canadian home turf. In addition, Saputo is also one of the largest dairy producers in the U.S., which is saying a lot given how enormous that market is for its products.

I am a fan of deeply exploring companies that are worth investing in and find that conducting a three-part series of articles is the best way to go. This first article in the Saputo mini-series will delve into Saputo's CEO and his acquisition strategy that is a catalyst [for supercharged growth in 2020](#).

A superstar CEO is its superpower

The first catalyst is the superstar CEO the company has in Lino Saputo Jr. Lino was just named Canada's outstanding CEO of the year for 2019. I am a big believer that the "tone from the top" sets the right direction for the company.

The Saputo family has a personal net worth in the billions, which means it would have been easy for Lino to rest on his laurels a long time ago and enjoy the fruits of the family's inter-generational hard work.

I will dive a little bit more into Lino and his background in the second and third articles in this series, but

suffice it to say that Lino has steered the ship really well the last few years, as the company has grown into a truly global dairy powerhouse, and I expect that trend to continue.

M&A strategy shows deep value discipline

Saputo has looked at over 300 potential deals but only made 31 of them since going public in 1997. This means the company has no trouble walking away from acquisitions that don't make sense.

What is even more telling is that once Saputo signs a deal, it develops a detailed road map outlining specific objectives for the first 100 days, the first year and the first three years post-acquisition. This disciplined goal setting ensures that success is measured objectively and often.

This is a sophisticated approach, because many companies do an acquisition first and then figure out what to do with it later. That usually leads to shareholder value destruction due to the lack of a game plan for success.

Discipline translates into accretive transactions

Lino has been involved with Saputo in a full-time capacity since 2004, so I was curious about how shareholders have done during that 15-year period, given that its stock price has stalled badly over the last four years. To my delight, the total shareholder return from October 2004 to October 2019 is an astonishing 2,300%.

This means that if an investor had put in \$6,000 "in the ground" back then, they would have harvested a total of \$138,000 by now, translating into a 23% annual return. Typically, as a long-term investor, I am thrilled with reliable annual returns in the 8-10% range, so 23% is the equivalent of Christmas plus Thanksgiving all wrapped up into one holiday.

Foolish bottom line

Saputo is trading at \$38 right now. Shares were changing hands at these price levels way back in February 2016, when the company was not as strong as it is now.

Saputo has been beaten down due to some industry factors that are out of its control, such as global dairy oversupply, which has led to depressed prices for its goods.

I believe the company will spend the next year integrating its recent acquisitions, which will result in the surfacing of long-term shareholder value. I would look to slowly accumulate a long-term position in the stock around the \$36-\$38 price levels to ensure a beautiful 2020 return on investment.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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