Investors: This Buy-and-Hold Forever Stock Is a Screaming Buy Today

Description

One of the annoying things about investing in stocks is the investment doesn't usually provide steady returns. Results are often lumpy, with a stock posting huge gains over a short period of time and then doing nothing.

Sometimes a stock can languish for years at a time, which is often when impatient investors will punt the company from their portfolios.

The problem with that impatient approach is when investors get rid of an excellent long-term stock because it hasn't done anything for them lately. The next move up comes and people who sold are cursing their bad luck.

For people who don't already own the stock, the decision is a little easier. They get to ignore short-term price noise and just focus on the underlying investment thesis. Their capital isn't tied up in a company not delivering gains.

I'd like to profile one company that has followed this predictable pattern. Shares did nothing for a long time, then they rocketed higher. The stock is back to doing nothing again. Here's why I think today is a great time to get in before the stock goes on its next run.

A great business

Great Canadian Gaming (TSX:GC) is Canada's largest casino operator with assets spread across British Columbia, Ontario, Nova Scotia, and New Brunswick. The company's 25 properties have more than 16,000 slot machines, 575 table games, 71 restaurants, and more than 500 hotel rooms.

The company has been a growth-by-acquisition story lately, gobbling up casinos as fast as they come on the market. It has recently been buying up casinos in the Greater Toronto Area that were previously operated by the government.

Now the focus is to increase the potential of these properties. Planned developments include expanding the Great Blue Heron casino, turning Casino Woodbine into a world-class resort and constructing a new casino in Pickering, Ontario. The company has also negotiated with the province to continue to operate the casino in Ajax, which was slated to close.

This expansion has delivered some terrific short-term growth. Revenue for the first nine months of 2019 increased some 30% compared to the same period last year, thanks to the acquisitions in Ontario.

Earnings increased by a similar amount once we adjust for the company's recently sold U.S. division. Investors should expect both revenues and earnings to keep marching higher as new developments add to the bottom line, although not to the tune of 30% per year.

A great buying opportunity

Despite posting solid results, delivering great growth, and being an excellent long-term investment, Great Canadian shares are currently trading at a cheap valuation. This makes today a great time to buy.

Let's look at a traditional metric first, the price-to-earnings multiple. Great Canadian Gaming shares currently trade at just 11.8 times trailing earnings. Earnings are expected to take a step backwards next year, but long-term growth should still be solid.

Management certainly thinks the stock is cheap. The company repurchased more than 1.9 million shares in the third quarter alone, and continued its buying spree by repurchasing nearly 600,000 additional shares in September.

One of the most impressive things about Great Canadian is how the company has expanded so aggressively while slowly decimating shares outstanding. In 2011, the company had more than 84 million shares outstanding. These days that number is down to under 60 million.

The bottom line

At close to a 52-week low, now is the time to load up on Great Canadian Gaming shares. The company is well positioned for long-term growth, both from its current assets and the potential to acquire additional gaming operations.

The casino business isn't going anywhere, with governments controlling the supply of new locations entering the market — and you have to like the low trailing price-to-earnings ratio.

This appears to be a situation where, if investors don't pay attention, they could miss out on another 50-100% move higher.

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