Buy Alert: 3 Simple Reasons I Bought This “Boring” Stock

**Description**

As an advocate of good, ol’ fashioned dividend stocks, I often hear a common criticism.

“These companies are boring! You won’t get good returns unless you invest in something with the potential to change the world, like technology.”



There’s one very important point these critics are missing: despite some of these blue-chip stocks being relegated to boring status decades ago, they continue to post excellent returns. They quietly post solid top-line growth, which translates into steadily increasing profits. Dividends go up, and it all combines for a favourable result.

Remember, all you really need is a good savings rate and a 10% return over a few decades to end up wealthy. Here’s how you can become a millionaire on just $10 per day.

I fear my latest “boring” investment, **Rogers Sugar** (TSX:RSI), will be met with the most criticism yet. Here’s why I disagree entirely. In fact, I think it’ll be a long-term winner.

# Capital gains potential

I believe a big part of a successful investment is buying when the price is right. This doesn’t necessarily mean you need to show up when there’s blood in the streets, but you want a stock that’s off recent highs.

Rogers Sugar fits that bill. I bought in the $4.80-per-share range. Compare that to the company’s 52-week high, which was set at $6.17 per share back in May 2019.

So, what happened? Rogers has dealt with a myriad of negative factors over the last few months. Southern Alberta’s sugar beet harvest was impacted by adverse weather, with farmers not able to get the entire crop off the field before winter hit. This will force Rogers to dip into its reserves to ensure it has enough supply to meet customer orders.

The company's maple syrup division has also weighed down on overall results. Syrup profits were less than expected, because the market is awash with supply right now. Rather than hold back, Rogers made the decision to take a lower price to protect its market share. This should be a good long-term move, but the short-term pain has weighed on the stock price.

Give the company a year or two, and I'm confident these issues will be squarely in the rear-view mirror. That should translate into a higher stock price.

## A fortress moat

Warren Buffett famously tells investors to look for a moat — a sustainable competitive advantage a company has over its competition.

Rogers has, at least in this writer's opinion, one of the best moats in Canada.

The company is protected in a number of different ways. Imported sugar is subject to tariffs by the Canadian government — a move designed to protect farmers. It only has one real competitor, and the two rivals have settled into a comfortable oligarchy situation. Why would a potential competitor spend billions to try and compete in such a market?



Besides, it's not like the sugar business is very exciting. Rogers should grow a little over time — thanks to an ever-expanding economy — but not at a rate that will attract any competition.

## Get paid to wait

I'm confident the stock price will be 10-25% higher in a few years. That might not seem like a very impressive return, but it becomes pretty solid when we combine it with Rogers's succulent dividend. The stock currently yields 7.5%.

On a trailing basis, the dividend is not supported by earnings. But analysts predict the bottom line will recover next year, with net income to bounce back to $0.41 per share. That puts shares at just 12 times forward earnings and, more importantly, is good news for the sustainability of the $0.36 per share annual dividend.

If I get a 7.5% yield, all shares need to do is go up 2.5% annually for me to hit my target rate of return, which is 10% annually. I think that will happen.

## The bottom line

Rogers Sugar is never going to be an exciting investment. But, at least for my portfolio, boring is good. I plan to sit back, relax, and collect the company's fantastic dividend, and I'm confident the share price will increase once recent issues have been worked out.

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