

Investors: Buy This No-Brainer Stock Today... and Then Never, Ever Sell

Description

There are certain investments I consider to be essential to any portfolio, the kind of no-brainer stocks that are just about guaranteed to deliver excellent long-term results.

You might think this is a simplistic way to look at investing, but I disagree. It took me an embarrassingly long time to learn you don't get bonus points for having obscure stock ideas.

The best businesses are often sitting right underneath your nose, obvious stocks that most everyone knows are excellent. These securities should make up the bedrock of any portfolio.

The good news is many of these stocks are beaten-up today, representing an excellent <u>long-term</u> <u>buying opportunity</u>. Let's take a closer look at one such name, a no-brainer stock that just happens to be on sale today.

A fantastic moat

As Warren Buffett has taught us, a no-brainer stock has to start with a fantastic moat. **Great Canadian Gaming Corporation** (TSX:GC) delivers exactly that.

The company is Canada's largest casino operator with 25 different facilities from coast to coast. Together, these facilities offer more than 16,000 slot machines, 575 table games, more than 70 different dining options, and some 500 hotel rooms. Remember, governments restrict the opening of new casinos. Not anybody can just up and build one.

Great Canadian Gaming has been a steady growth story as it slowly acquires new assets. Its last big acquisition was made a couple of years ago when it won the contract to operate various casinos in the Greater Toronto Area, which not only greatly increased the size of the company, but also gave it access to the fastest-growing metropolis in the country.

The company has the right to operate these assets until 2040 and has embarked on an ambitious expansion program to maximize the value of its new prize. Casinos will be renovated, space added at

certain locations, and hotels will even be built or expanded on certain sites.

The acquisition has worked out pretty well so far. In 2017, before the Toronto acquisition, the company made \$1.38 per share. By the end of 2019, annual earnings had leapt to \$3.89 per share. One reason why earnings per share increased so much is the company was able to do the acquisition without issuing much stock.

In fact, one of the things that makes this company a no-brainer stock is its history of buying back shares. At the end of 2015, Great Canadian Gaming had more than 69 million shares outstanding on a fully-diluted basis. These days, that number is closer to 59 million shares outstanding. Look for management to continue buying back shares once casinos open back up again.

The opportunity

Many investors aren't interested in casino stocks today simply because these facilities aren't open. I think it's a mistake to ignore a no-brainer stock like this one because of a little short-term uncertainty.

Shares are also ridiculously cheap if you think profitability returns to normal sometime relatively soon. Remember, the company did \$3.89 per share in earnings last year. The stock currently trades hands at just over \$27, giving us a price-to-trailing earnings ratio of under 7 times.

The bottom line should only increase over the long term, although I'm the first to admit that 2020 and likely 2021 will be lean. There's ample opportunity for more expansion in the company's Toronto casinos, and management was talking about similar projects in British Columbia before the pandemic hit. These will all eventually hit the bottom line.

There's also growth potential from populations slowly growing bigger — a big reason why I'm so bullish on the Toronto assets — and general growth in the casino business. It's not just gamblers that will drive growth either; many people who would never put a nickel in a slot machine enjoy going to the casino for dinner or to watch a show.

The bottom line on this no-brainer stock

Great Canadian Gaming is a stock that would look good in anyone's portfolio. It consistently delivers steady growth and solid profitability, all while taking care of shareholders with <u>steady buybacks</u>.

Don't overthink it. Add this no-brainer stock to your portfolio today while it's down. Don't miss this great buying opportunity.

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