



These 3 Stock Cannibals Are Just What Your Portfolio Needs

Description

The results are irrefutable over the long term. Companies that consistently repurchase their own shares — which I refer to as *stock cannibals* — tend to post better returns than their peers.

The reason why is pretty simple. First, companies with enough excess cash to repurchase tend to be profitable enterprises, which is usually a pretty good indicator of success. It's also a lot easier to grow earnings per share if you're consistently decreasing the number of shares outstanding.

Most companies buy back shares when times are good. They'll then choose to conserve cash during tough periods. It doesn't take a genius to see the problem with that method. The best time to be a stock cannibal is when times are tough and a company can get more bang for its buck.

Let's take a closer look at three companies that were recently taking advantage of the recent market selloff to repurchase shares at exactly the right time.

TFI International

Many value investors are fans of **TFI International** ([TSX:TFII](#)). Company CEO Alain Bedard has shown investors time and time again he's a shrewd capital allocator, getting good returns on investment whenever the company acquires other trucking outfits.

TFI is also an interesting play if you're bullish on the [future of e-commerce](#) and don't want to pay inflated valuations for the main players in the space. TFI's fleet of trucks transports all sorts of stuff people buy online, and even has a courier division that only focuses on smaller packages.

TFI International has consistently repurchased shares over the years, including reducing the float from 93.7 million shares at the end of 2016 to 89.9 million at the end of 2018. These days, after repurchasing a little more than 1.2 million shares in March alone, this stock cannibal has just over 84.6 million shares outstanding.

Magna International

Magna International ([TSX:MG](#))([NYSE:MGA](#)) is one of the world's largest suppliers of auto parts, with factories all across the world. Just about every major car manufacturer is a Magna client. Naturally, this recent slowdown won't be good for the auto sector and Magna specifically.

The company has been a consistent stock cannibal for years now. From 2017 to 2019 alone, Magna returned more than \$4 billion back to shareholders through share repurchases, repurchasing some 85 million shares in just three years.

Add in the company's dividend and this stock with a current market cap of just over \$16 billion returned \$5.7 billion back to shareholders in just three years.

March was more of the same with the company continuing its consistent share buybacks. This stock cannibal repurchased some four million shares in the month alone. That should reduce the number of shares outstanding to under 300 million, a marked improvement from 2011 when the total shares outstanding peaked at nearly 500 million.

Canadian National Railway

I don't think it's a coincidence that each of the stock cannibals I've profiled today are consistent buyers of their own stock. After a while, share repurchases just become part of a company's culture.

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) is another consistent share cannibal. Canada's largest railway also has a bunch of other things going for it, including a track network that's simply irreplaceable today, a sharp management team always on the lookout for ways to make the company more efficient, and excellent pricing power.

As the entire market melted down in March, Canadian National Railway was there, gobbling up between 50,000 and 60,000 shares each day. That's the kind of consistency that likely helped keep the price up. After all, shares were down a whole lot less than the entire market during that time.

The bottom line on these stock cannibals

I'm a big fan of companies that consistently buyback their own shares. I'm an even bigger fan if they buy when there's blood on the streets, like there was in March.

It's no coincidence these companies are also consistent stock cannibals. If giving back to shareholders is important to an organization, good returns usually follow.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:MGA (Magna International Inc.)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:MG (Magna International Inc.)
5. TSX:TFII (TFI International)

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Author

nelsonpsmith

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