Vol. 30 No. 09
March 3, 2025

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ANOTHER GAIN FOR GROWTH PORTFOLIO

By Gordon Pape, Editor and Publisher

You must have a strong stomach to be a growth investor. The stocks you purchase will be of the high-risk/high-return variety and there will be a lot of ups and downs along the way. This type of investing is not for everyone.

Our Growth Portfolio offers an example. In the latest six-month period, TFI International, a stock that had previously generated above-average returns, plunged almost 35%. Danish pharmaceutical giant Novo Nordisk, which manufactures one of the world's hottest new drugs, Ozempic, fell by almost the same amount.

That would normally be a blow to any portfolio. But those losses were more than offset by a 117% gain in Canadian tech company Celestica. That's the nature of growth investing. If it makes you uncomfortable, use a different approach.

The portfolio was launched 12-1/2 years ago, in August 2012. It had an initial value of $10,000 and a target annual

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growth rate of 12%. The portfolio is 100% exposure to the equity markets, so it's not suitable for cautious investors.

Here are the securities that make up the current portfolio, with an update on how they have performed since our last review in August. Prices are as of the afternoon of Feb. 27.

IWB GROWTH PORTFOLIO HOLDINGS

iShares US Aerospace and Defense ETF (BSX: ITA). This ETF invests in the US defense and aerospace industry. We added it to the portfolio in 2021. It posted a gain of US$9.71 per unit in the latest period and we received two distributions for a total of US$0.67 per unit.

Alimentation Couche-Tard (TSX: ATD, OTC: ANCUF). The stock has been going through a lot of ups and downs lately as investors try to figure out where future growth will come from. The attempt to acquire the 7-11 chain of convenience stores from its Japanese parent is still ATD's main goal, but progress is agonizingly slow. The shares are down $7.59 since our last review. However, over time this stock has been a huge winner for us, so we'll stay with it a little longer. The company raised its quarterly dividend to $0.195 a share.

WSP Global Inc. (TSX: WSP, OTC: WSPOF). Montreal-based WSP is an international engineering and design firm. This stock went into a brief slump but recovered strongly in the latest period, gaining just over $30 a share. We received two dividends totaling $0.75 per share.

TFI International Inc. (TSX, NYSE: TFII). This Montreal-based trucking firm was added to the portfolio in February 2023. It did well out of the gate but then stalled and went into a deep nosedive. The CEO called the fourth quarter of 2024 "a disaster" as trucking companies battled diminishing demand. The shares lost almost $70 in the latest period, which is about as bad as it gets.

Nvidia (NDQ: NVDA). Nvidia posted year-end results that beat expectations last week, and the stock dropped! The company makes computing chips for AI processors, and its sales keep beating even the most optimistic expectations, but investors expect more. We added it to the portfolio in February 2023 and it has quadrupled since. The stock pays a tiny quarterly dividend of a penny a share.

Novo Nordisk (NYSE: NVO), This is the Danish pharmaceutical company that manufactures Ozempic, the diabetes/weight loss drug that is in huge demand world-wide. We added it to the portfolio in March at US$133.49.

IWB GROWTH PORTFO-

It generated a modest gain initially but then hit a wall and lost US$47.35 in the latest period.

Costco (NDQ: COST). Costco shares continue to perform well, gaining $143.92 in the latest period. We received two quarterly dividends for a total of $2.32 per share.

CGI Group (TSX: GIB.A, NYSE: GIB). This is a Montreal-based international consultancy company that has been on our recommended list since August 2012. We added it to the Growth Portfolio in 2023 at $140.51. The shares were up $11.44 in the latest period. Last year, CGI initiated a quarterly dividend of $0.15 a share.

Celestica (TSX, NYSE: CLS). This tech company has been the hottest ticket on the TSX for the past two years. We added it to the portfolio in August of last year and it proceeded to more than double in value. There's no dividend but with gains of that magnitude, who cares?

Cash. We had cash plus retained earnings of $3,118.95. We moved it to EQ Bank, which was offering a high interest rate of 5% on its 30-day notice savings account. We received interest of $77.97.

Here is how the portfolio stood at Feb. 27. Commissions are not considered. The US and Canadian dollars are treated as being at par but obviously gains (or losses) on the American securities are increased due to the exchange rate differential.

IWB Growth Portfolio (a/o Feb. 27/25)

Symbol	Weight %	Total Shares	Average Price	Book Value	Current Price	Market Value	Retained Distributions	Gain/ Loss %
ITA	5.2	50	$107.42	$5,371.00	$153.47	$7,673.90	$173.50	+46.1
ATD	6.7	140	$8.32	$1,164.10	$71.01	$9,941.40	$481.65	+795.4
WSP	15.6	90	$27.00	$2,430.29	$256.31	$23,067.90	$669.11	+876.7
TFII	2.7	30	$168.06	$5,041.80	$130.26	$3,907.80	$95.93	-20.6
NVDA	25.3	300	$23.66	$7,098.00	$124.35	$37,305.00	$16.40	+425.8
NVO	4.3	70	$133.49	$9,344.30	$89.53	$6,267.01	$101.01	-31.9
COST	13.9	20	$344.27	$6,885.40	$1,021.48	$20,429.60	$837.60	+208.9
GIB.A	7.6	70	$140.51	$9,835.70	$159.29	$11,150.30	$21.00	+13.6
CLS	18.0	170	$71.68	$12,185.60	$155.95	$26,511.50	$0	+148.1
Cash	0.7			$986.05		$1,064.02		
Total	100.0			$60,342.24		$147,318.43	$2,396.20	
Inception				$10,000.00				+1,397

Comments: It was another strong six months. The portfolio gained 11.3% in that period, led by huge contributions from Costco, CGI, and Celestica. That more than offset big losses by NVO, TFII, and ATD.

The total value of the portfolio (market price plus retained distributions) now stands at $149,714.63, from the original $10,000 we invested 12-1/2 years ago. Since this portfolio was launched, we have a cumulative return of 1,397.1%. That's an average annual compound growth rate of 24.17%.

Changes: TFII can no longer be considered a growth stock, at least for now, so we'll sell our shares. The returns on NVO are also disappointing and we will close that position as well. This gives us a total of $10,371.75 to reinvest.

We will use the money to buy five shares of Fairfax Financial Holdings (TSX: FFH), a Canadian conglomerate with international interests in property and casualty insurance and reinsurance.

The company is run by Prem Watsa, who has been referred to as Canada's Warren Buffett. Insurance is not normally considered a high growth sector, but FFH targets a 15% average annual growth in book value. The share price is up 44% in the past twelve months. The shares are trading at $2,039.99 for a total cost of $10,199.95.

We have $171.80 left over, which we will add to cash. All else stays the same.

Our total cash plus retained earnings is now $3,435.08. We will keep it in the EQ Bank 30-day notice savings account, which is paying 3.05%.

Here's a look at the revised portfolio. I will review it again in September.

IWB Growth Portfolio (revised Feb. 27/25)

Symbol	Weight %	Total Shares	Average Price	Book Value	Current Price	Market Value	Retained Distributions
ITA	5.2	50	$107.42	$5,371.00	$153.47	$7,673.90	$173.50
ATD	6.7	140	$8.32	$1,164.10	$71.01	$9,941.40	$481.65
WSP	15.6	90	$27.00	$2,430.29	$256.31	$23,067.90	$669.11
FFH	6.9	5	$2,039.99	$10,199.95	$2,039.99	$10,199.95	$0
NVDA	25.3	300	$23.66	$7,098.00	$124.35	$37,305.00	$16.40
COST	13.9	20	$344.27	$6,885.40	$1,021.48	$20,429.60	$837.60
GIB.A	7.6	70	$140.51	$9,835.70	$159.29	$11,150.30	$21.00
CLS	18.0	170	$71.68	$12,185.60	$155.95	$26,511.50	$0
Cash	0.8			$1,235.82		$1,235.82	
Total	100.0			$56,405.86		$147,515.37	$2,199.26
Inception				$10,000.00			

THE WEEK

Indexes

S&P/TSX Composite
25,393.45 (+1.0%)

S&P 500
5,954.50 (-1.0%)

Dow Jones Industrials
43,840.91 (+1.0%)

Nasdaq
18,847.28 (-5.9%)

A dreadful week for Nasdaq, despite a Friday rally.

Noteworthy

Nvidia (NDQ: NVDA). The bellwether chip maker reported FQ4/25 adjusted earnings per share and revenue exceeding market expectations. Datacenter revenue reached US$35.6 billion, surpassing consensus by 5.6%. The gross margin aligned with analysts' forecasts, while the operating margin slightly exceeded predictions. NVDA provided revenue guidance for FQ1/26 that was above consensus, although the gross margin guidance fell short of expectations. The stock closed Friday at US$124.92, down US$9.51 for the week.

Bank of Montreal (TSX, NYSE: BMO). Canadian banks reported better-than-expected results. BMO's adjusted EPS, revenue, and adjusted pre-tax, pre-provision earnings (PTPP) were all above analyst expectations. Provision for credit losses jumped to $1.01 billion in the quarter from $627 million a year earlier but were lower than consensus expectations. BMO Common Equity Tier 1 (CET1) finished the quarter flat at 13.6%, which was ahead of the consensus of 13.4%. The shares closed at $148.76, up $5.98 for the week.

Bank of Nova Scotia (TSX, NYSE: BNS). Scotiabank reported a beat on adjusted EPS, revenue, and PTPP. Provision for credit losses came in at $1.16 billion, higher than the Street's estimated $1.14 billion. The CET1 ratio was 12.9%, down from 13.1% last quarter. The stock closed Friday at $71.82, down seven cents.

Stantec (TSX, NYSE: STN). Stantec reported a beat on revenue and EPS compared to the consensus estimate. For FY2025, the company expects net revenue growth to be in the range of 7%-10%. In addition, it announced a 7.1% increase in the dividend to $0.225 per share. The stock was up $14.25 for the week, to $123.26.

WARREN BUFFET'S LATEST SAGE ADVICE

By Shawn Allen, Contributing Editor

Warren Buffett, who is 94, has released his latest annual letter. As always, it's full of wonderful observations and advice. Two topics particularly caught my eye.

CEOs should be candid and admit their mistakes. Buffett wrote frankly about some of the many mistakes he's made over the decades at Berkshire Hathaway. He lamented that other CEOs almost never admit to *any* mistakes. An annual report, he said, should go well beyond simply including the figures and discussion mandated by law – it should communicate a true picture of the business, the good as well as the bad.

Buffett noted that mistakes in judging the ability and fidelity of corporate executives will always be made – the key is to act promptly to correct such mistakes.

In his 2002 letter, Buffett expressed this same view quoting a bible verse (Luke 16:2): "Give an account of thy stewardship; for thou mayest no longer be steward." At 94, we can't expect all his advice to be original at this point!

As investors we rely on management and boards of directors to be candid and to correct major mistakes, but we can also simply avoid companies where management seems less than competent or appears to not be acting in the best interests of shareholders.

In each of my updates below I will address the management qualities that Buffett has raised in his letter.

A preference for equities. Buffett explained that, despite Berkshire's famously large cash position, the great majority of its assets remain invested in equities – mostly through wholly-owned subsidiaries as opposed to investments in stocks. That will always be the case for Berkshire, he said.

Berkshire's net cash position at $326 billion is massive. But it represents "only" 28% of Berkshire's total book value of assets. Just over 1% of its assets are invested in fixed-maturity investments leaving about 71% invested in equities – mostly represented by its 189 operating subsidiaries. Buffett noted that "paper money can see its value evaporate if fiscal folly prevails". And, frighteningly, he said that the US has "come close to the edge" in its history. He warned that "Fixed-coupon bonds provide no protection against runaway currency". Berkshire currently has just 1.3% of its assets invested in fixed-maturity investments. This includes just 0.4% of assets invested in US Treasury bonds.

It seems safe to say that Buffett would advise that, like Berkshire's, our allocations to fixed income should focus heavily on cash and near-cash and that we should avoid longer-term bonds, given the risks of inflation leading to currency devaluation.

SHAWN ALLEN'S UPDATES

Recommendations are colour-coded:
Green indicates Buy
Yellow indicates Hold
Red indicates Sell

Canadian Tire Corporation Ltd.

HOLD

TSX: CTC.A, OTC: CDNAF *Originally recommended by Tom Slee on June 13/11 (#21121) at C$61.58, US$62.90. Closed Friday at C$142.73, US$100.17*

Background: In addition to its 502 dealer-operated Canadian Tire stores, the company also owns and corporately operates Mark's, with 383 stores, and 371 sports stores (SportChek, Sports Expert, Atmosphere, Athlete's World, and others). As well, it has 279 gasoline bar locations, plus PartSource, Party City, and Pro Hockey Life, which total 169 stores. And it owns Helly Hansen, which is primarily a wholesaler and is a global brand based in Oslo, Norway. Canadian Tire, through its bank subsidiary, also has very significant financial operations as a MasterCard issuer with over 2.3 million active card holders.

Performance: The stock was up 7% in 2024 but is down 5.7% in 2025 to date. It's well below its all-time high of $213 reached in the spring of 2021 in the wake of the pandemic-related surge in business.

Recent earnings: Consolidated same-store sales had declined in the past two years but returned to a modest 1.1% growth in the latest quarter. Earnings per share were down a sharp 45% in 2023 and made only a partial recovery in 2024 with a 22% increase.

Recent developments: After a strategic review, Canadian Tire has decided to retain rather than sell or seek partners for its large credit card operation. But it has made a deal to sell its Helly Hanson subsidiary for $1,276 million.

Management: Canadian Tire has always provided a lot more than the mandated numbers and discussion in its financial reports. For example, it includes same-store sales growth and other details by store brand. They also provide a detailed variance analysis to explain their results. In 2016, the company made a sudden change of CEO, replacing Michael Medline after just two years because the board decided he was not the best choice for CEO. Presumably, Buffett would approve of the extra details provided and the quick action taken when they decided they had the wrong CEO.

Dividend: In November, the company announced a modest 1% dividend increase to $1.775 per quarter ($7.10 annually). The dividend has been increased annually for many years.

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Toll Brothers NYSE: TOL

HOLD

Originally recommended on Nov. 11/13 (#21340) at $31.94. Closed Friday at $111.64. (All prices in US dollars.)

Background: Toll Brothers is primarily a builder of executive and "affordable luxury" single-family homes, and it also develops the raw land into lots for those houses. It operates in almost half of the US states and is concentrated on the coasts and in the more heavily populated regions. In recent years the company has adopted a strategy of being somewhat "asset light". This has involved securing land through options and purchasing land only when it is confident of developing it relatively soon. It also develops both urban high-rise and suburban low-rise apartments. Some of these are sold as condos but it retains some buildings and is growing a large rental apartment business.

Performance: TOL has a very volatile history, driven by booms and busts in the home building industry as well as in the economy and financial markets. It was down 31% in 2022 but then soared 106%(!) in 2023. It gained 23% in 2024 but it's now down 11.4% in 2025 to date.

Management: Toll Brothers has always provided extensive details about its results broken out by geographic area. They also provide a good discussion about the state of their markets and the outlook, including earnings "guidance" numbers.

Dividend: The dividend is relatively modest at $0.23 quarterly ($0.92 per year), for a current yield of 0.8%. The dividend pay-out ratio is only 7% of earnings as the company has focused on share buy-backs and growth.

Recent earnings: Reported earnings per share in the latest quarter fell 23% but had averaged 9% growth in the prior three quarters. It's important to understand that US home builders are relatively unique in that their reported revenues and earnings each quarter are based on contracts to build homes that were signed an average of nine to twelve months *earlier*.

Outlook: The company expects strong home sales to continue in 2025. It expects relatively flat home deliveries for the current quarter and a modest increase overall in 2025. Toll plans to add 10% to their community count. Analysts expect relatively flat adjusted earnings in the next year.

Valuation: The trailing year p/e ratio is attractive at 8.3. The forward p/e ratio is similar at 8.6, indicating that analysts are expecting a modest earnings decline in the forward year. The dividend yield is very modest at just 0.8% as the company prefers to use its earnings to fund growth and for substantial stock buybacks. The price-to-book value ratio is reasonable at 1.5.

Conclusion: The valuation looks attractive based on current earnings. But Toll Brothers has historically been a cyclical company and some caution is warranted.

Action now: Hold. Toll Brothers is down sharply from its 2024 peak of $169. It's volatile but does well over the long term.

Starbucks Corporation NDQ: SBUX

Originally recommended on May 30/22 (#22221) at $76.71. Closed Friday at $115.81. (Figures in US dollars.)

HOLD

Background: Starbucks has 40,200 stores. Half are company-operated, and half are run by licensed operators. About 42% of the stores are in the US. The company also has a very large presence in China, which has 19% of their total stores, all company-operated.

Performance: Starbucks has been a stellar long-term performer, although, of course, not without some volatility. The shares were down 5% in 2024 to $91.25, marking the third year in a row of modest share price declines. The stock had peaked at about $125 back in 2021. The shares have recently staged a strong recovery rising almost 27% in 2025 to date on optimism that its turn-around strategies will be effective.

Recent developments: In the latest news, the company announced last week that it will purge 1,100 corporate positions. In other aspects of its turnaround strategy, it's simplifying its menu offerings to speed up service and is restricting its washrooms to paying customers to provide a better experience for clients. In August, Laxman Narasimhan was fired after having been CEO only since March 2023. The new chairman and CEO is Brian Niccol, who was lured away from a highly successful role as CEO of Chipotle. Founder Howard Schultz stepped down from the board in September 2023 – but may still be lurking in the background.

Management: Starbucks has been candid about its mistakes over the years. The fact that founder Howard Schultz returned as CEO on two occasions after retiring and the CEO change last year demonstrate that Starbucks is quick to make a change if it thinks the wrong CEO has been selected. Buffett might approve of this, but he might question the repeated mistakes in CEO selection.

Recent earnings: Results have been quite weak over the past year and more so in the latest reports, with earnings per share down 24% in each of the past two quarters.

Dividend: The quarterly dividend is $0.61 ($2.44 per year) for a yield of 2.1%.

Value ratios: The price to book value ratio is not meaningful because the company has paid out all its equity in dividends and share buybacks. This was deliberate and demonstrates the financial strength of the company. The trailing year p/e ratio is ostensibly unattractively high at 36. The p/e based on analyst forecast earnings is 38, suggesting that analysts expect earnings to be slightly lower a year from now. On average, analysts are lukewarm on the stock with an average target price of $111. The dividend yield is modest at 2.1%. Return on assets is very strong at 11%. Overall, the ratios

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GORDON PAPE'S UPDATES

Recommendations are colour-coded:
Green indicates Buy
Yellow indicates Hold
Red indicates Sell

Telus TSX: T, NYSE: TU

BUY

Originally recommended on Nov. 13/06 (#2640) at C$6.86. (Adjusted for March 2020 split.) Closed Friday at C$22.39, US$15.47.

Background: Telus Corp. is Canada's largest wireless telecom company. Its core business includes internet and mobile phone service through the Telus and Koodo brands.

Performance: The stock hit a multi-year low of $19.10 in late December but has since rebounded somewhat.

Recent developments: Telus released fourth quarter and year-end results, which were better than expectations. Revenue for the fourth quarter rose 3.5%, to $5.4 billion from $5.2 billion a year earlier. That topped the consensus forecast of $5.24 billion.

Adjusted earnings were $390 million, from $386 million in the fourth quarter of 2024. Earnings per share improved by 4.2%, to $0.25 from $0.24. That beat the consensus estimate of $0.22.

The company reported mobile and fixed customer growth of 328,000 in the fourth quarter. Mobility and fixed customer additions were 1,216,000 for the full year, representing the third consecutive year of net additions above the one million mark.

Dividend: Telus has a policy of raising its dividend twice a year. The latest increase, to be paid April 1, brings the quarterly amount to $0.4023 per share ($1.6092 a year), for a yield of 7.2%. The total dividend increase over the past year is 7%.

Action now: The telecom sector is still lagging the broad market, but Telus looks like the best bet right now and the dividend yield is attractive. Buy.

Starbucks—continued from page 9...

indicate a very strong company that is expensive in terms of valuation.

Outlook: After four poor quarters it seems likely that the current quarter will show another earnings decline. It appears that analysts are not expecting a return to earnings growth until at least near the end of this year.

Action now: Hold. I recommended selling half in November. Those who have not sold at least half should now do so.

Rogers Communications TSX: RCI.B, NYSE: RCI

Originally recommended on March 4/24 (#22409) at C$60.39, US$44.53. Closed Friday at C$40.18, US$27.76.

HOLD

Background: Rogers is one of Canada's largest wireless and cable companies.

Performance: The last time I reviewed this stock, in January, I noted how cheap it was. Well, it's even cheaper now. In fact, the last time it was this low was mid-2013 – over a decade ago. It's the latest example of the deep distress in our telecom sector. The stock is down 9.1% this year.

Recent developments: The company released fourth quarter and 2024 full year results. Revenue for the quarter was up 3% to $5.5 billion. Adjusted net income was $794 million ($1.46 per diluted share), a significant improvement from $630 million ($1.19 per share) in the same period last year. Free cash flow was ahead 7% to $878 million.

For the full year, revenue gained 7% to $20.6 billion. Adjusted net income was just over $2.7 billion ($5.04 per share) compared to $2.4 billion ($4.59 a share) in 2023. Free cash flow was just over $3 billion, a gain of 26% from the previous year.

The company reported net postpaid and prepaid phone additions of 95,000 in the fourth quarter.

Dividend: The stock pays a quarterly dividend of $0.50 a share ($2 a year) to yield 5% at the current price.

Outlook: There doesn't seem to be much prospect for a significant change in direction this year. The company forecasts total service revenue to be flat to up 3% for 2025. Adjusted EBITDA is expected to be in the same range. Capital expenses will be about the same this year, as will free cash flow.

Action now: Hold.

Canadian Tire—continued from page 7...

Valuation: The dividend yield is quite attractive at 5%. The return on equity was 12.4% in 2024 which is below its historical average of about 19%. The price to book value ratio is attractive at 1.4 and is at the low end of its historic range. The trailing 12 months adjusted earnings p/e is attractive at 11.6. Overall, the valuation is attractive.

Outlook: Modest sales growth appears likely for 2025 but that could be derailed if Canada imposes significant import tariffs. It appears that Tire will book a gain of roughly $250 million pre-tax on the sale of Helly Hanson, given that they purchased it for $1,035 million in 2018.

Action now: Hold. The near-term is not encouraging but the dividend is attractive and Canadian Tire is well-managed and remains a good long-term investment.

Alphabet Inc. NDQ: GOOGL

HOLD

Originally recommended on June 16/14 (#21421) at $30.37 (split-adjusted). Closed Friday at $170.28. (All figures in US dollars.)

Background: Alphabet is the umbrella company that owns Google (which includes Android, Chrome, and YouTube), Nest (home automation), Calico (anti-aging research), Fiber (high-speed Internet), Google Ventures (new company investments), Sidewalk Labs (city infrastructure), and Waymo (driverless cars). Other services include Google Maps, Google Play, AI, and cloud computing.

Share splits: The stock split 2 for 1 shortly after we recommended it. If you owned 100 shares at that time, that gave you a total of 100 each of GOOG (non-voting C shares) and 100 of GOOGL (voting A shares). We track only GOOGL, as it represents the original shares acquired, but GOOG trades at about the same price, or a small premium.

The company implemented another split on July 15, 2022. Investors received a special dividend of 19 shares for every share owned as of the July 1 record date. All classes of shares benefited. So, readers who bought 100 shares at the time of my original recommendation now own 2,000 shares each of GOOGL and GOOG. The market price adjusted accordingly.

Performance: The stock hit an all-time high of $207.05 in early February, but it's moved lower since, along with the rest of the tech sector.

Recent developments: The company announced fourth quarter and year-end results in early February. Revenue for the quarter beat estimates at $96.5 billion, up 12% from the same period in 2023. For the full 2024 fiscal year, the company reported revenue of just over $350 billion, a 14% improvement.

Net income was also up, but came in short of analysts' estimates, Fourth quarter earnings were $26.5 billion ($2.15 a share) compared to $20.7 billion ($1.54 per share) the year before. Full year earnings were $100.1 billion ($8.04 per share).

Operating margin for the quarter and the year was 32%, up from 27% in 2023.

Dividend: The stock pays a quarterly dividend of $0.20 a share ($0.80 annually) to yield 0.5% at the current price.

Outlook: Management plans to invest $75 billion in capital expenditure in 2025 as it continues to expand on its artificial intelligence strategy. That's a boost from the previous capex forecast of $58 billion.

Action now: Hold. Tech stocks have lost their momentum, at least for now.

Amazon.com NDQ: AMZN

HOLD

Originally recommended on Jan. 16/17 (#21703) at $40.86 (split-adjusted). Closed Friday at $212.28. (All figures in US dollars.)

Background: Amazon is the largest on-line retailer in the world, but the company is also involved in many other businesses including cloud storage, video streaming, film production, voice-activated software (Alexa), and more.

Performance: The stock reached an all-time high of $242.52 in early February, but then went into a slump along with the rest of the tech sector.

Recent developments: Amazon's fourth quarter and year-end results were strong, and the shares briefly moved higher after they were released in early February.

Net sales increased 10% to $187.8 billion in the fourth quarter, compared with $170 billion in 2023. Excluding the $0.9 billion unfavorable impact from year-over-year changes in foreign exchange rates throughout the quarter, net sales increased 11% compared with the previous year.

North America segment sales increased 10% year-over-year to $115.6 billion. International segment sales increased 8% year-over-year to $43.4 billion. AWS (Amazon web services) segment sales increased 19% year-over-year to $28.8 billion.

Full year net sales were up 11% to $638 billion, compared with $574.8 billion in 2023. Excluding the $2.3 billion unfavorable impact from year-over-year changes in foreign exchange rates, net sales increased 11% compared with 2023. North America segment sales were ahead 10% year-over-year to $387.5 billion. International segment sales increased 9% year-over-year to $142.9 billion, while AWS segment sales increased 19% to $107.6 billion.

Fourth quarter net income was $20 billion, or $1.86 per diluted share. That compared with $10.6 billion ($1 per share) in the fourth quarter of 2023. For the full year, net income was $59.2 billion ($5.53 per share), compared with $30.4 billion ($2.90 per share) in 2023.

Dividend: The stock does not pay any dividends.

Outlook: Net first quarter 2025 sales are expected to be between $151 billion and $155.5 billion. That would be a growth rate of between 5% and 9% compared with first quarter 2024. That was below expectations because the guidance anticipates an unusually large unfavorable impact of approximately $2.1 billion from foreign exchange rates. Also, in first quarter 2024 the impact from Leap Year added approximately $1.5 billion in net sales.

Action now: Hold.

GAVIN GRAHAM'S UPDATES

Recommendations are colour-coded:
Green indicates Buy
Yellow indicates Hold
Red indicates Sell

Canadian Apartment Properties REIT

BUY

TSX: CAR.UN, OTC: CDPYF *Originally recommended by Gordon Pape on July 14/14 (#21425) at C$22.90, US$21.32. Closed Friday at C$40.33, US$27.87.*

Background: CAP REIT, as it calls itself, is one of Canada's largest residential landlords. As of Dec. 31, it owned or had interests in 48,696 apartments across the country plus 3,000 suites in the Netherlands.

Performance: The units are trading at about the same level as in October 2022, when interest rates were rising. The price recovered when the Bank of Canada started reducing rates, and hit a 52-week high of $56.72 last September. But they have been drifting down since.

Recent developments: For the year ending Dec. 31, the REIT had revenue of $1.12 billion. That was up 5.5% from $1.05 billion in 2023. Net operating income (NOI) was $730.6 million, up 5.4%. Diluted funds from operations (FFO) was $2.534 per unit, up 6.1%. The trust's distributions of $1.471 represent a payout ratio of 57.9%. The REIT repaid $401 million of debt and recycled $670 million into purchases of recently-built apartments in strategic markets in Canada.

Distributions: CAP REIT increased its distributions by 3% in August 2024 and by another 3% effective in March. The new rate will be $1.55 annualized. That's equivalent to a yield of 3.8%. In addition, the REIT paid a special distribution of $1.18 in the form of additional units at the end of December. This represented capital gains from its sale of its European suites in 2024.

Restructuring: CAP REIT has continued its asset recycling program, with the purchase of another 281 recently constructed units for $98 million. It disposed of two non-core buildings with 380 units, and a 717 unit portfolio was transferred to its local municipality for $104 million. This continues a trend of disposing of apartments to non-profits to maintain affordable housing, with $124 million of the $385 million sold in 2024 going to such organizations.

Action now: CAP REIT is a Buy for its reasonable and sustainable yield, its 25% + discount to NAV, its successful asset recycling program, and the upgrading of its portfolio.