



1 Top Growth Stock Under \$5

Description

It requires a great skill to pick up a stock before it soars, but sometimes it may be easier to ride the upward price momentum of an already rising stock that exhibits further upside potential. The stock of **StorageVault Canada Inc.** (TSXV:SVI) has already broken out, and there could be some further price growth during the remainder of 2017.

StorageVault's stock has had a very impressive price run so far in 2017, rising 77% from its January 3rd price of \$1.49 to \$2.69 on June 30. Year to date, the stock is up a solid 252% from its June 30, 2016, trading range.

The company's primary business is owning, operating, and renting self-storage and portable storage space to individual and commercial customers. As of June 30, StorageVault had 56 stores across Canada, totaling 3,069,837 million square feet of rentable storage space.

This growing storage operator is expanding rapidly through acquisitions and is currently targeting those assets with strong, existing cash flows in strategic markets across the country's main economic centres.

The company purchased \$324.6 million of assets in 2015 and 2016, and it expects to acquire \$50-\$90 million of storage assets, excluding any large portfolio acquisitions, such as the \$396.6 million portfolio acquisition in Montreal announced on March 22, 2017.

Analysts expect StorageVault's revenues to grow exponentially over the next few years. Organic revenue growth is expected at 35% for 2018, while 2017 numbers are already validating investors' double-digit business growth expectations.

The company's business is highly seasonal with peak performance in the warmer second and third quarters of the year, so the next two earnings announcements might beat analyst expectations.

Most noteworthy, the company's internal models estimate that there is 60 million square feet of available commercial storage space in Canada, translating to just 2.5 square feet per capita, while there is 2.5 billion square feet of storage in the United States, giving 8.3 square feet per capita.

If the models are correct, then Canada could be underserved in the storage space and there is further room for growth in the business line.

There are potential gains from economies of scale as the company's asset portfolio grows. Scale has become increasingly important in the storage business as the company gains significant advantages in negotiating better rates on services which translate to improved margins.

StorageVault even boasts of being the only Canadian publicly listed storage business, and the company enjoys no direct competition in the public investor market.

While the stock is not yet an income investor's favourite, the company has already shown some commitment to dividend payments. Starting with a \$0.0025 quarterly dividend announced in June 2016, the company announced a 2% increase in the dividend for the second quarter of this year.

There is a chance that this stock could become an income play in the long term.

Investor takeaway

StorageVault presents growth-focused investors with an opportunity for great capital gains today, but the investment is not without its risks.

Buying into a stock trading a close to 52-week high should be done cautiously, as there could be some price consolidation.

Furthermore, dilution is a big concern because the company is financing its expansion programs with a mix of debt and new common stock issuances. There has been a recent announcement on June 28 of a \$135 million bought deal offering of common shares at \$2.65.

However, not all the shares on offer are dilutive, as a major institutional investor is offloading a portion of a big stake for technical portfolio concentration reasons.

Picking the shares at the \$2.64 range could be a rewarding long-term bet on a growth candidate.

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