



## Is StorageVault Canada Inc. the Best Stock Not on the TSX?

### Description

Up 57% year to date, **StorageVault Canada Inc.** (TSXV:SVI) is the largest company traded on the TSX Venture Exchange with a \$776 million market cap. Not only is it the largest, but it's also one of the few resource-based stocks at the top of the list.

So, just as golf fans debate who the best PGA tour star is not to have won one of the four major golf tournaments, I'm wondering if SVI isn't the best stock not trading on the TSX.

### What's the problem?

Fool.ca's Ryan Goldman recently [discussed](#) some of the reasons why investors should be careful about buying StorageVault's stock despite its low price below \$3.

"Although the company has expanded on a number of occasions, earnings are projected to be no more than \$0.10 per share for fiscal 2018," Goldman wrote July 6. "Essentially, the shares would trade at a price-to-earnings (P/E) multiple of 26 times if this happens."

Since then, SVI's lost almost 20% of its value and is trading at a slightly less expensive multiple of 23 times the company's 2018 estimated adjusted funds from operations.

As Ryan suggests in his article, that's a lot to pay for a company in the storage business, but it still doesn't explain why StorageVault's not trading on the big board.

According to the TSX website, seven stocks are trading on the TSX and part of the TSX Composite Index, whose market caps are less than StorageVault's including one of my favourite un-loved companies, **Alaris Royalty Corp.** (TSX:AD), at \$767 million.

It should be trading on the TSX and in the TSX Composite.

### What's the upside?

The storage industry is one of those businesses that everybody needs at one point or another in their lives. It's not going away, and it's a big reason why investors continue to read about StorageVault's blistering pace for making acquisitions.

For example, StorageVault announced September 5, that it completed its \$8.6 million purchase of a self-storage facility in Montreal using 200,000 shares of its stock, one of the many capital allocation levers [Henry Singleton](#) used back in the 1970s and 1980s when he ran Teledyne.

With StorageVault's rising stock price, it only makes sense to issue stock rather than debt to make these acquisitions happen.

On August 1, it completed what I believe is its biggest acquisition to date, paying \$397 million for Sentinel Storage, a Canadian self-storage operation with 24 locations in six provinces that brings its total number of self-storage facilities in Canada to 81 including the Montreal acquisition.

StorageVault is consolidating the Canadian self-storage industry. If done right, its stock won't be in single digits for much longer.

### Bottom line on StorageVault stock

If you've seen the movie *The Founder* starring Michael Keaton as Ray Kroc, the man who built **McDonald's Corporation** ([NYSE:MCD](#)), you might remember the scene where Kroc figures out he's not in the hamburger business, he's in the real estate business.

Well, StorageVault's not in the storage business, it's in the real estate business. If it gets the real estate right, it won't matter that it's currently losing money.

Regardless of what you might think of this stock, it ought to be a part of the TSX Composite and trading on the big board.

## CATEGORY

1. Investing

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1. NYSE:MCD (McDonald's Corporation)
2. TSX:AD.UN (Alaris Equity Partners Income Trust)
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