

Revealed: A \$10 Stock With Surefire Growth on the Way

Description

Tricon Capital Group Inc. ([TSX:TCN](#)) looks very promising as a growth stock that pays a dividend. Since it became a publicly traded company, it has outperformed the Canadian market and the financial and real estate industry indices.

First, let's take a look at its business to see if it's a stock for you.

The business

Tricon Capital Group was founded in 1988 and was listed on the Toronto Stock Exchange in 2010. The company is a principal investor and asset manager which is focused on the residential real estate industry in North America.

Tricon Capital Group has about \$5.9 billion of assets under management with about 91% of its assets in the United States across 10 states and the rest in Canada.



The company is involved in land development and homebuilding or master-planned communities (31% of assets under management), single-family rentals (59%), multi-family rentals (7%), as well as manufactured housing communities (3%).

About 73% of its assets under management are the company's principal investments and co-investments funded with its balance sheet, which means about 27% of the assets under management are from third-party investors. So, by investing in Tricon Capital Group, investors would be essentially investing with the management, whose interests are well aligned with that of the shareholders.

How has the company and stock performed?

Since 2013, Tricon Capital Group's book value per share has increased at a compound annual growth rate of roughly 15%. This has translated to annualized returns of 12.7% on the stock. Let's not forget that these are the results *after* the stock just had a meaningful pullback of nearly 17% from the \$12

level.

Recent developments

Since completing the acquisition of Silver Bay in May, Tricon Capital Group has been planning on exiting some non-core assets, so it will be able to focus on its core businesses, which include land development and homebuilding, single-family rentals, and the Canadian luxury multi-family development and rental business.

Investor takeaway

At \$10 per share, Tricon Capital Group offers a yield of 2.6%. The shares are at a multiple of about 12.3, which is a discounted valuation compared to the minimum 14% growth rate that analysts expect it to have this year and next year.

The Street consensus from **Thomson Reuters** has a mean 12-month price target of US\$11 on the stock, which implies 32% upside is possible assuming a foreign exchange of US\$1 to CAD\$1.20. This makes Tricon Capital Group an attractive investment for capital appreciation.

Whether the company can deliver double-digit growth depends on how well management executes integrations, future acquisitions, and its operations.

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2. Investing

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kayng

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