TFSA Growth Investors: 2 Industry Consolidators With Explosive Long-Term Upside Potential

Description

Industry consolidators are a great bet if you're a growth investor looking for promising long-term prospects that won't suffer from stagnated growth anytime in the foreseeable future. Consolidators in extremely fragmented industries are great, because there are probably decades' worth of acquisition opportunities across various geographic locations.

If you're a long-term growth investor, then one thing to worry about is what will happen to a long-time high-flyer once the growth opportunities run out. The transition from a growth play to a stalwart can be quite unattractive to growth investors, especially if they're young and decades away from retirement. Sure, there are large dividends to look forward to, but if you're a growth investor, you'll still probably be disappointed once growth subsides.

What makes an industry consolidator even better is if the management team is value oriented and has the ability to realize huge synergies from each acquisition it makes. Here are two top-notch industry consolidators that are on a mission to become market leaders in their respective industries.

Alimentation Couche Tard Inc. (TSX:ATD.B)

Couche Tard is a convenience store consolidator that has been delivering outstanding returns for quite some time. Although convenience stores are looked at as simple, boring businesses that aren't usually associated with growth, Couche Tard is one of the hottest earnings-growth kings out there.

Couche Tard has a strong global presence and a value-conscious management team who's always thinking about the long-term when approaching a potential acquisition.

Going forward, Couche Tard has many opportunities that could spark a ridiculous amount of earnings growth over the next decade. Shares have flat-lined of late, but that's not because growth is running out, as the global convenience store market is still extremely fragmented and will be subject to major changes as consumer needs change over the next decade.

Here are five reasons why Couche Tard deserves a spot in your portfolio today, and why stagnant growth may be at least a decade away. There are many opportunities, and I believe potential growth prospects are almost boundless considering how fragmented the convenience store industry is.

Boyd Group Income Fund (TSX:BYD.UN)

If you drive, then you've probably heard of Boyd, but you probably never knew that they had an income fund trading on the TSX. Although the security is called an income fund, many investors are attracted by the huge amount of capital gains that the income fund has generated over the past few years.

For those unfamiliar with the business, Boyd is one of the largest operators of collision repair shops in North America with locations across five Canadian provinces and over 20 U.S. states. The North American collision repair space is still quite fragmented, and there's a gigantic opportunity for Boyd to consolidate this space, in which they've done an incredible job of so far.

The income fund only has a 0.56% yield, but capital gains have delivered a whopping ~526% over the past five years. Those are some really impressive returns, mostly because Boyd is incredibly efficient at driving earnings from the acquisitions it makes.

Going forward, Boyd is expecting to double in size from 2015 to 2020 on a constant-currency basis. That means many more deals will be on the horizon, and the announcement of each one is likely to result in a nice sustained rally.

As long as accidents happen, Boyd will profit.

Bottom line

If you're big into M&A growth kings, Couche Tard and Boyd are two very solid picks that you should strongly consider picking up today. Both companies have terrific management teams that know the ins and outs of the industries that they're in.

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Date
2025/07/21
Date Created
2017/11/12

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