



This Incredible Growth Stock Has the Perfect Formula to Beat the Market

Description

When it comes to stocks that are poised to beat the market over the long-term, it often pays dividends to analyze a company's abilities to grow its earnings at an above-average rate over the next five years or beyond. Moreover, it's also important to consider a firm's moat and visualize any potential technological disruptions that could derail a particular firm's growth plans over the long haul.

Such wide-moat stocks with above-average EPS growth rates tend to be expensive, so it often pays to keep such a long-term winner on your radar should a broader market sell-off or full-blown crash create an incredible entry point for value-conscious investors. Remember, it won't matter how high the firm's EPS growth will be if the stock's ridiculously expensive. As a value-conscious growth investor, one must always consider the price they'll pay for the growth that they'll end up with.

As markets continue to pick up negative momentum, **Sleep Country Canada Holdings Inc.** ([TSX:ZZZ](#)) appears to be a very compelling buy with an easy-to-understand business model, a wide moat, and a means of [increasing its earnings](#) over the long term.

In previous pieces, I emphasized that Sleep Country is a wide-moat retailer. I admit that sounds like an oxymoron, but I believe it's true given how robust the company has been in spite of the rise of technological innovators in the mattress and sleep space (think direct-to-consumer [mattress-in-a-box retailers](#)). Indeed, Sleep Country is fortunate because in the sleep industry, consumers continue to favour the showroom versus making an online purchase.

Further, Sleep Country also has an opportunity to expand its brick-and-mortar locations across the country while also pursuing initiatives to increase same-store sales growth, including existing store renovations and opportunities to increase its accessory sales.

Add investments in e-commerce to the mix and you've got a stock that's equipped to grow its top-line at an above-average rate over the next three to five years. Sleep Country has even begun to produce its own exclusive line of "Bloom" products focused on its mattress-in-a-box offering, which competes with other direct-to-consumer mattress-in-a-box startups.

The exclusive line of Bloom-branded pillows, toppers, box springs and mattresses leads to higher

margins, while the revamped e-commerce platform will boost sales and ARPUs. Whether you're shopping online or in-store, you'll likely be enticed by various accessories to go with your mattress purchase. The next thing you know, you'll end up purchasing the matching box spring, pillows, and topper!

Bottom line

Sleep Country is a wonderful business that's poised to gain traction in the Canadian sleep industry. Management has solid guidance for 2018 and expects to expand its reach to customers through its multichannel approach.

At ~22 times trailing earnings, the stock's valuation is definitely rich; however, market-wide turmoil and expected hikes to advertising expenses may create an incredible entry point for investors over the next few months.

Sleep Country appears to have a long-term market-beating formula in its hands, so investors should strongly think about adding this stock to their radar today, as the stock is a compelling buy at the low \$30 levels.

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