



The Best Stock to Own on the TSX Venture Exchange

Description

If you're like me, you probably don't spend a lot of time looking for stocks to buy on the TSX Venture Exchange. For me, it's not because there aren't any good stocks to be had, but rather, most of them are tiny companies with few assets, revenues, or profits.

That said, every once in a while, a stock jumps out at me because of a recent news story, and I just have to take a closer look.

Earlier this week, **StorageVault Canada Inc.** (TSXV:SVI) announced that it is paying \$69 million for three Ontario self-storage facilities, bringing the number of self-storage facilities it owns or manages in the province to 58, or 38% of its total Canadian footprint.

The self-storage business is huge. Where I used to live in Toronto, there were literally four or five locations operating within a tiny radius that you could walk.

A recent article in *Curbed* explained how self-storage became a US\$38 billion industry. Personally, I think it has to do with the high rate of divorce, but I digress.

The figures are staggering.

One out of every 11 Americans has a storage unit, paying an average of US\$91.14 per month from one of the 50,000 or more facilities available in the U.S; that's a mind-blowing 2.3 billion square feet to store all the crap you can't fit in your already overcrowded house.

As they say in business school, "Find a need and fill it."

From an investor's perspective, I've always found the self-storage business fascinating. Like Ray Kroc — the founder of the **McDonald's Corporation** franchise — coming to the realization he was in the real estate business and just happened to sell hamburgers, the self-storage people just happen to rent storage lockers.

You buy a self-storage facility, make sure it's relatively full, and wait for the surrounding real estate to

appreciate in value to the point where it's too valuable in its existing format, so you sell for a boatload of money and move on to the next one.

Industry consolidating

Down in the U.S., the six largest self-storage firms control just 18% of the market, another 100 mid-sized operations another 8%, and the remaining 74% are generally mom-and-pop operators.

Eventually, many of these small operators are going to want to sell, and the big boys will be waiting to snap them up.

This brings me back to StorageVault and why I believe it's the best stock to own on the TSX Venture Exchange.

One of the best stocks not on TSX

In September, I'd [called](#) StorageVault one of the best stocks not on the TSX. My reasoning was simple. It's consolidating the Canadian self-storage industry, and if it gets the real estate right, it won't be trading in single digits for much longer.

Six months later, it's still trading under \$3. But don't let that deter you.

My Fool.ca colleague Joey Frenette recently [dubbed](#) StorageVault a small-cap "smart beta" stock that should boost your portfolio over the next three to five years because it's following a very powerful trend.

The bottom line on StorageVault Canada

It's not on the TSX, but should be.

Industry consolidation plays take time to gel. StorageVault's latest acquisition wrapped up three more locations in an industry with thousands. It's going to take time to build a decent-sized portfolio.

StorageVault's revenues in 2017 were \$62 million. By comparison, the number six company in the U.S. had annual revenue this past year of US\$268 million.

As Frenette pointed out, we're not nearly as far along the consolidation road, which provides ample opportunity for StorageVault to continue to grow.

For me, StorageVault is the best stock on the TSX Venture Exchange.

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1. Investing

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1. Editor's Choice

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