4 TFSA-Worthy All-Star Companies With the Urge to Merge!

Description

Growth comes in many different forms.

You could have high-tech innovative growth or low-tech growth from M&A all-stars that have found the "secret sauce" to acquiring smaller rivals in order to deliver value to shareholders through the realization of synergies.

In this piece, I'm going to cover three businesses that have enjoyed growth in the latter category. M&A activities that have resulted in 1 + 1 = 3 scenarios. Not only does the industry expertise of such firms have the potential to drive accretive earnings through the roof in the form of synergies, but the industry that's to be consolidated is often still incredibly fragmented, leaving the growth ceiling remarkably high – a good trait to look out for as a long-term investor!

Economists refer to such fragmented markets as "perfectly competitive," as there are a ton of competitors in the space that typically command similar price points for their services.

Take **Boyd Group Income Fund** (TSX:BYD.UN), an operator and consolidator of North American auto repair shops as an example. When you ding your vehicle, you'll need to get it fixed. Usually, you couldn't care less about the brand name of a repair shop. You may desire a firm with a high reputation, but usually, you'd rather just go to the cheapest (or nearest) repair shop to get your windshield fixed.

Given that price and location are among the top traits that determine where a consumer goes to get their car fixed, many new entrants have the opportunity to jump into new markets, driving car servicing prices down such that there's little to no economic profit to be made in an industry that's essentially become commoditized through the course of time.

There are benefits, both to an industry consolidator and to the consumer, of moving away from a perfectly competitive market structure.

Consider **Alimentation Couche-Tard Inc.** (TSX:ATD.B) and its consolidation of the convenience store industry. Couche-Tard's efficient supply chain blows a mom-and-pop convenience shop out of the water and because of this Couche-Tard can offer lower prices (and deals) for select convenience store goods, thereby saving consumers a considerable amount in the process.

And what does a consolidator like Couche-Tard get out of this?

The opportunity for longer-term economies of scale through a better-run good distribution network and the ability to pro-actively respond to rapid changes in consumer preferences. Oh, and let's not forget that all of this expertise has resulted in a whopping amount of accretive earnings growth throughout the years!

Two other remarkable M&A stars include **Park Lawn Corp.** (TSX:PLC) for the consolidation of the death industry and **StorageVault Canada Inc.**, a player that's consolidating the Canadian self-storage space.

All of the M&A growth stories mentioned in this piece offer investors the incredible opportunity to enjoy capital appreciation through predictable each firm's respective long-term earnings-growth strategies. As each consolidator becomes bigger, the efficiency (and margins) may also stand to improve as well with time! I'd strongly encourage investors to consider one or more of these industry consolidators today!

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